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WORLD NEWS

Italian Government survives split

The Italian Government narrowly survived a split in the dominant Christian Democrat party over a new law which provides a regulatory framework for Italian television. Five senior ministers resigned over the issue.
Page 2

Nigeria executes 42

Nigeria's military rulers executed 42 people by firing squad for trying to overthrow the Government of President Ibrahim Babangida on April 22. Nine others were jailed. It was not clear whether any civilians were shot.

Waddington 'horrified'

David Waddington, the Home Secretary, said he was "horrified" by police fears that up to 20 boys could have been killed by paedophiles in "snuff videos," which are reported to show the sexual abuse and murder of children. Detectives are studying the files of boys who have disappeared over a six-year period.

Pope calls for peace

The Pope called for an end to terrorism in Northern Ireland in a message sent to mourners at the funeral of Sister Catherine Dunne, who died in an IRA bomb explosion in County Armagh earlier this week.

Record damages award

An airline pilot who was paralysed after a motorcycle accident was awarded damages of £1.57m at the High Court in London. It was the highest court award in a claim for personal injury compensation.
Page 5

Pretoria call on Slovo

The South African Government has said it wants communist leader Joe Slovo removed from the African National Congress team negotiating political reforms. Pretoria tests ANC/Communist loyalty, Page 3

Hong Kong minister

Lord Caithness, the former Paymaster General, is to take over as minister with responsibility for Hong Kong.

Royal book banned

A High Court ban has been imposed on publication of a book written by former Buckingham Palace aide about life in the Royal Household. The ban on Courting Disaster prevents the book being published anywhere in the world.

Abortion bill vetoed

The Governor of Louisiana has vetoed a bill that would have banned most abortions in the state and subjected doctors to up to 10 years in prison.

Jail protest

Prisoners at Armley Jail, Leeds, held a sit-in protest, the second in successive days. Nearly 40 prisoners on remand refused to leave the exercise yard at the jail, which prison officers claim is the most overcrowded in Britain.

Fifth 'mad cat' dies

A fifth cat has died with a brain illness of the same type as "mad cow" disease.

Test record for Gooch

England captain Graham Gooch became sixth on the all-time Test record list by scoring 333 runs against India in the second day of the Test. England declared at 653 for four.

Laughing matter

Experts gathering at Sheffield University for the eighth international conference on humour will discuss what makes people laugh.

BUSINESS SUMMARY

Montedison in merger with Ferruzzi

MONTEDISON, leading Italian chemicals concern, is merging with Ferruzzi Agricola Finanziaria, the agro-industrial holding company of the Ferruzzi group, to create one of the biggest industrial conglomerates in Italy. Page 22; Lex, Page 22

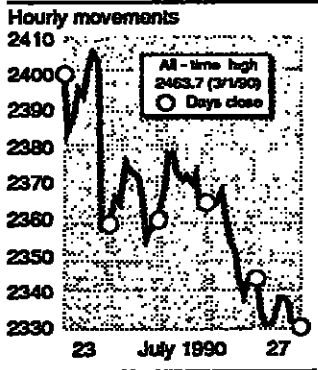
LLOYDS BANK: Provisions against bad debts in the UK wiped £190m from Lloyds' pre-tax profits for the half year ending in June, which reached only £408m, well below market expectations. Page 22; Page 8; Lex, Page 22

USSR: An unprecedented IMF mission to Moscow was hailed by a senior Soviet official as a first step towards the country's membership of the financial institution. Page 22

EQUITIES: A firm pound added to the list of bearish pressures on a UK stockmarket still suffering from the effects of this week's batch of alarming corporate profits reports. The

FT-SE 100 Index

Hourly movements



FT-SE index lost 70 points this week as both domestic and transatlantic factors turned sour. London Stock Exchange, Page 13

ALAN BOND, Australian businessman, is to take legal action against the biggest shareholders in British Satellite Broadcasting over losses of about £90m suffered when his stake in the venture was diluted. Page 4; Page 10

AUSTRALIA'S trade performance remained poor last month with a current account deficit of A$1.575bn (£678m), down slightly on May's revised figure of A$1.632bn. Page 3

BAT Industries is considering seeking a US Supreme Court review of a New Jersey state court decision allowing liability cases to be brought over smokers' deaths. Page 3

PHILIP MORRIS, US tobacco and consumer products group, said that it had no intention of changing the terms and conditions of its tender offer to shareholders of Jacobs Suchard, Swiss chocolate and coffee group. Page 10

IBM is to reshape its European organisation to give national managers international responsibility for the business sectors in which they are strongest.
Page 10

PHILIPPINES Government wants to negotiate maximum relief on its foreign debt after the earthquake in central and northern Luzon. Page 3

BRITISH STEEL seems set for further controversy over its strategy in Scotland after company chairman Sir Robert Scholey cast doubt over the prospects for three Scottish plants. Page 8

NORTHPRINT, Manchester newspaper printers, is to close with the loss of more than 650 jobs. The company prints the Manchester Evening News and the northern editions of the Daily Mail, The Mail on Sunday and The Guardian.
Page 5

A Geneva deal will force up petrol costs and add to world inflation pressures

Opec to raise price of oil by year end

By Steven Butler in Geneva

THE Organisation of Petroleum Exporting Countries yesterday agreed measures to lift the price of oil by more than $4 a barrel by the end of the year – the first increase in the cartel's price target since 1986.

At a ministerial conference in Geneva, Opec adopted $21 (£11.44) a barrel as its "minimum reference price." This compares with the previous reference price of $18 and a current market price of about $17 a barrel for Opec oil.

The meeting looks certain to mark an important turning point for Opec as it shifts attention to increasing prices gradually. For the past four years it has sought primarily to recover the share of the world oil market which it lost in the early 1980s when high oil prices stimulated a big increase in non-Opec production.

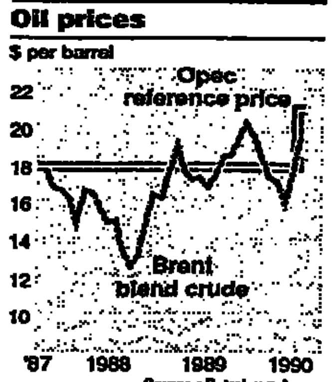
If the agreement succeeds it will eventually cause petrol prices to rise and add to worldwide inflationary pressures.

The agreement was well-received in the market, where the price of Brent oil for September delivery rose by 17.5 cents a barrel to close at $19.525 in European trading.

The decision to try to lift prices was precipitated by threats from Mr Saddam Hussein, the Iraqi President, against Kuwait and the United Arab Emirates, which produced much more than their Opec-assigned quotas and drove down world oil prices.

Oil prices

$ per barrel



Source: Petroleum Argus

This is the first time that Opec members have threatened each other over violations of Opec agreements, and President Saddam's stance is expected to force a renewed discipline on the cartel.

President Saddam had called for Opec to lift prices to $25 a barrel although Iraq was forced to compromise with the majority of Opec ministers who favoured a more modest increase. Mr Issam al-Chalabi, the Iraqi Oil Minister, nonetheless said he was happy with the agreement.

Venezuela argued strongly against lifting prices above $20 a barrel for fear of destroying the market for its oil. Saudi Arabia, which has the world's largest oil reserves, also exerted a moderating influence.

Mr Hisham Nazer, the Saudi Arabian minister, said that $21 a barrel was attainable by the end of the year.

The agreement fixed the Opec production ceiling at 22.5m b/d for the second half of the year. Opec production has been falling toward this level since it peaked at about 24m b/d in March. The excess production has left world stock levels at the highest since the early 1980s.

Quotas for individual countries were unchanged compared with the last agreement, with the exception of the UAE, whose quota was increased to 1.5m b/d.

● Victor Mallet writes: In Washington, the US Senate voted yesterday to impose economic sanctions on Iraq.

The latest signals from Baghdad, however, suggest that Iraq will continue to take a hard line against the much weaker state of Kuwait in forthcoming negotiations between the two countries.

Iranian Oil Minister Gholamreza Aghazadeh tell reporters of the Opec agreement

Banks attack EC move to end commissions

By Lucy Kellaway in Brussels and David Barchard in London

BRITISH and other European banks have fired their first shot against proposals by the European Commission to cut the cost for customers of cross-border payments within the Community.

The European Banking Federation, representing the Community's banks, has written this week to Sir Leon Brittan, financial services commissioner, expressing concern at a draft of a green paper which is due to be put to the full Commission after the summer break.

The draft proposes to end some of the lucrative commissions which banks charge for converting one currency into another.

Sir Leon argues that the existing European payments system is inefficient and expensive for consumers and that clearing procedures by the banks for cross-border payments should be standardised and operate like those within a single country.

This would mean, for example, that a British bank customer would be able to pay a cheque denominated in another EC currency into a UK sterling account without incurring the delay and heavy commissions experienced by consumers today.

Sir Leon believes that the benefits of a single market in banking and financial services cannot be realised while European banks make it so difficult to move money around. Progress towards monetary union will make smoother payments transfers more necessary than in the past.

The policy document will examine means of facilitating payments made in cash, by electronic transfer, by cheque or by credit cards. It will recommend that a link should be established between national automatic clearing houses, which would apply first to electronic transfers and then to cheques. It would put an end to the cumbersome system of correspondent banks, when it can take several weeks for a payment to be made from an account in one member state to another.

Sir Leon is also concerned that the continued existence of foreign exchange commissions are incompatible with the move towards monetary union. Once exchange rates have been fixed, all bank notes would have to be changed at the fixed rate in question, with no commission deducted.

The green paper will make clear the need to have arrangements in place before the advent of the single market at the beginning of 1993. It will ask for responses from member states and from the banking industry by the end of the year. But banks have begun to lobby against the proposals even before they have been made known officially.
Lloyds results, Page 22

Tax-capped Labour council to make 1,100 workers redundant

By John Authers and Emma Tucker

A COUNCIL in north-east England, whose poll tax level has been capped by the Government, is to make 1,100 workers redundant – more than an eighth of its staff. The job cuts are the heaviest yet made by any of the 21 capped councils.

The Labour-controlled North Tyneside Council has had its budget cut by the Government by £8m, which brings its poll tax down from an initial £399 per head a year to £353.73.

The council said yesterday most of the job cuts would be among office workers – it would avoid initial redundancies of teachers and staff dealing with the public.

The Department of the Environment insisted that North Tyneside's budget had been capped because its original level was excessive. It was up to the authority to decide where to make reductions.

Separately, the DoE has released figures on how much councils are spending on collecting the tax. The sums range from £45.05 per head in Westminster in London – a quarter of the Conservative-controlled council's poll tax level – to £3.69 per head in South Tyneside.

Westminster accepted its figure of £45.05 as accurate and blamed it partly on the high number of "second homes" owned in the area. In South Tyneside, however, the council said that the cost must be "at least five times more expensive" than the estimate.

Harlow, which has the fourth highest cost of collection on the DoE's estimates, did not dispute the figures, but commented that the council had been praised by the Audit Commission for its efficient rate-collecting.

The Commission, which acts as a watchdog on local expenditure, recently started a survey of good practice in poll tax collection.

The Association of Metropolitan Authorities cast doubt on the DoE figures, saying that the wide divergence suggested that councils were inconsistent in the way that they recorded expenditure, and that the costs in urban areas with transient populations must be greater.

The DoE disagreed, pointing to the £7.25 cost for Birmingham charge-payers. "This obviously goes to show that there are savings to be made for any type of local authority," it said.

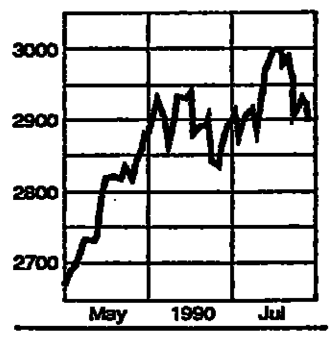
The Department added that the total administration costs indicated, of around £400m, were "pretty much identical" to its original estimates. The previous system of property rates, with half as many payers, cost half as much to administer, at £200m.

● Mr Chris Patten, the Environment Secretary, will take legal action against Labour-controlled Haringey in London, which accepted the cap on its budget, but refused to cut its poll tax level by as much as the DoE had asked.

Mr Patten has applied for judicial review and an injunction to stop the council issuing bills for £536, compared to the DoE level of £508.
Labour's business rate plans, Page 22

Dow Jones

Industrial Average



Dollar and stocks fall as growth weakens

By Peter Riddell in Washington

THE dollar fell sharply and US equities weakened yesterday on second quarter gross national product figures showing sluggish economic activity with no immediate sign of any improvement.

GNP grew at an annual rate of just 1.2 per cent in real inflation-adjusted terms from April to June. This follows expansion of 0.3 and 1.7 per cent in the previous two quarters respectively (revised down from rates of 1.1 and 1.9 per cent).

Moreover, even the very limited growth in the second quarter reflected a big build-up of inventories, notably by US car groups ahead of a possible strike later this year.

By contrast, consumer demand and business investment both declined. With the export performance weaker than before, real final sales dropped at an annual rate of 1.5 per cent.

Mr Michael Darby, Commerce Department under-secretary, said he expected stronger growth in the second half of this year in response to higher exports and business investment.

Most private sector economists are more pessimistic, forecasting a continued weak level of activity and saying the economy is very near recession.
Continued on Page 22
Man in the News: Alan Greenspan, Page 6; Money Markets, Page 11; Wall Street, Pages 18 and 19

MARKETS

STERLING
New York lunchtime:
$1.839
London:
$1.8345 (1.8135)
DM2.9625 (2.9425)
FFr9.2 (9.8575)
SFr2.51 (2.4975)
Y274.5 (272.75)
£ index 93.9 (93.1)

GOLD
New York: Comex Aug
$368.0 (369.6)
London:
$367.5 (368.5)

N SEA OIL (Argus)
Brent 15-day Sep
$19.525 (19.35)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime:
DM1.6125
FFr5.3955
SFr1.363
Y149.135
London:
DM1.6145 (1.6225)
FFr5.4075 (5.435)
SFr1.368 (1.377)
Y149.6 (150.45)
$ index 65.1 (65.4)
Tokyo close: Y150.75

US LUNCHTIME RATES
Fed Funds 8%
3-mo Treasury Bills:
yield: 7.75%
Long Bond:
$100\frac{31}{32}$
yield: 8.5%

STOCK INDICES
FT-SE 100:
2,330.1 (−14.0)
FT Ordinary:
1,842.1 (−9.4)
FT-A All-Share:
1,148.93 (−0.5%)
New York lunchtime:
DJ Ind. Av.
2,907.18 (−13.61)
S&P Comp
354.23 (−1.68)
Tokyo: Nikkei
30,863.48 (−506.27)

LONDON MONEY
3-month Interbank:
closing $14\frac{31}{32}$% (same)
Liffe long gilt future:
Sep $85\frac{5}{32}$ ($84\frac{9}{32}$)

CONTENTS

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Sovietology thrives as political leaders seek utopia

John Lloyd finds that students of eastern Europe are enjoying their recently found popularity

THOSE who study the Soviet Union and the East European countries are among the happier of the world's intellectuals. Their discipline, long conducted with difficulty and, for many, in some obscurity, now has a light shining upon it.

They are interviewed on radio and television, invited to write for the newspapers and to give advice to investment analysts. Their books are published. They can visit the countries in which they specialise as often as their departmental budgets allow, have much greater access to the archives and can talk to their fellow scholars without fearing that an honest talk will lead to trouble for both.

They are no longer ritually denounced as "bourgeois falsifiers": on the contrary, they are now, often, invited to give seminars, to advise, to teach.

The World Congress of Soviet and East European Studies in the Yorkshire spa of Harrogate this past week has thus been both hard working and spirited, as some 3,000 western scholars debated freely with each other, and their east European counterparts. Yet if there was a composite view from the hundreds of seminars and plenaries, it was one of foreboding, even of scholarly fear – especially over the future of the Soviet Union, the focus of the interest.

Professor Alec Nove, the doyen of British sovietologists, talked of "premonitions of imminent collapse" drifting up like a miasma from the Soviet intelligentsia whom he knows so well.

Prof Anders Aslund is a Swedish scholar who spent some years as Sweden's economic counsellor in Moscow and his chronicling of the people and institutions who have made – or failed to make – perestroika is unsurpassed. He brutally dismissed the past year, in which the Soviet Government was meant to have produced a great leap forward to the market, as "completely wasted in the matter of economic reform."

And so on. Dr Eberhard Schinke of the University of Giessen in West Germany said that Soviet agricultural output in the 1980s had barely kept pace with the 1 per cent rise in the population, and was now declining: even so, it had a better record than industry.

The new forms of private farming had failed to catch on, both because peasants refused to take the responsibility and because no preparation had been made for the new system, or support offered to it.

Prof Lahrs Ohlsson from Sweden's Uppsala University, in a careful study of the co-operatives – touted as the harbinger of the market – has found that they are increasingly unpopular, increasingly attacked and often corrupt (in part because they are forced to be to survive). As in the case with private farms, "no adaptation had been made of the economic and administrative environment."

Prof Archie Brown, a leader among the younger (middle-aged) generation of British sovietologists chronicled the Party's withering away. First it accepted the ending of its leading role, then the theory and practice of a "separation of powers" between it and the state," and finally admitted the emergence of political pluralism. This is more hopeful ground (though as Prof Michael Rywkin of the City University of New York noted, the Soviet élite have "yet to accept the end of empire"): but it is still marshy.

In an intriguing presentation, Dr Richard Sakwa of the University of Kent proposed that the Soviet Union remained, essentially, utopian in its political reflexes: it was now attempting to pass from an extreme form of collectivism to a finer kind of society which borrows features and institutions from the West but at the same time surpasses it in that it remains (indefinably) socialist while the West remains trapped in the divisiveness of capitalism.

Unlike Poland, Hungary and Czechoslovakia, all of whose political élites have unambiguously said that they wish to construct a "normal" society using Western models, the Soviet leaders still hanker after a larger destiny.

This is not idle dreaming while being driven to the dacha in the Zil limo: it is functional politics. History, for the Soviets, has not ended, there *must* be another way, between barracks communism and capitalism. The drama continues. Sovietology, at least, is not dead.

Military commander 'banished to Iraq'

By Quentin Peel in Moscow

COLONEL-GENERAL Albert Makashov, the conservative Soviet military commander who launched a devastating attack on perestroika and President Mikhail Gorbachev last month, has been removed from his job and sent abroad, according to well-placed Moscow officials.

The man who accused the Government and Communist Party leadership of "ideological surrender" has been banished to the obscure job of military counsellor in Iraq, according to the Soviet officials. He was the military commander of the important Volga-Urals military district, a job he had held only since September last year.

The move is a clear implementation of President Mikhail Gorbachev's warning that senior officials must back the government line, or quit – although there is no evidence that General Makashov has resigned.

A senior Western military attaché warned yesterday that it was likely to cause consternation in the ranks of conservative officers, for whom General Makashov had become the most visible spokesman since his outspoken attack at the Russian Communist Party Congress in June.

The question is whether it is likely to cause a backlash, with more officers daring to attack the Soviet regime openly, or whether President Gorbachev's old-fashioned banishment of the general will reimpose military discipline.

General Makashov, who was a gold medal winner at the General Staff Academy in 1982, but always a field commander, had continued to speak out after the congress, rejecting any suggestions that he should quit.

"I would agree to resign only in one case: if the entire yellow press would retire with me," he told the army newspaper Son and Fatherland in a recent interview.

He refused to take back any of his criticism.

"Everything created by the colossal labour of the Soviet people has been destroyed," he said.

'Peasant revolt' may hit Soviet harvest

By Quentin Peel in Moscow

DETAILS of a new threat to the Soviet harvest emerged yesterday with reports that farm workers have set up strike committees to demand better equipment and living conditions – otherwise they will withhold their produce.

The threat of a "peasants' revolt" was published on the front page of Pravda, the Communist Party newspaper, in the latest warning of potential havoc in the Soviet harvest campaign.

A string of top Soviet officials, including Mr Nikolai Ryzhkov, the Prime Minister, and Mr Boris Yeltsin, president of the Russian parliament, have expressed alarm that an expected bumper crop may be put in jeopardy by lack of fuel and machinery and by refusal of city workers to provide their usual help.

Those problems appear now to have sparked a backlash by farm workers, reported from Kostroma on the Volga river north of Moscow, from Perm in the Ural mountains, and from Karaganda in Kazakhstan.

Strike committees have been set up in the countryside around Kostroma, a town whose miserable food supplies were reported in the Soviet press more than two years ago.

The farm workers are furious at the high wages demanded by city workers for helping with the harvest and at failure of urban areas to allocate enough fuel and machinery for harvesting.

"You in Moscow simply do not realise the state rural areas are in," Mr L. Shamkov, chairman of the district strike committee, told Pravda. "Fodder production is now under way and we lack the technology, our machinery is a mixed bag of good and bad, and we have real problems with spare parts.

"The supply network has broken down, and we are left to chance. The rural areas have finally been brought to their knees and have been left alone to cope with the harvest."

The Kostroma collective farms are demanding official action to supply harvesters and threatening to withhold food supplies unless they get it.

The same open conflict between town and countryside was reported from the Karaganda Soviet coalfield. There the regional council of Michurinsk has issued an ultimatum to neighbouring towns to send city dwellers to the fields or they will cut off food supplies, Pravda said.

Belorussia declares sovereignty

By Leyla Boulton in Moscow

TRADITIONALLY conservative Belorussia became the latest Soviet republic yesterday to declare its sovereignty in a fresh nationalist challenge to Kremlin domination.

The Belorussian news agency Belta said that the western republic's parliament unanimously passed a declaration of sovereignty, although only 230 of the 350 deputies were in the chamber.

The scope of the declaration was not immediately clear, but Belorussia is unlikely to have gone as far as the neighbouring Russian Federation or the Ukraine, the country's two biggest republics.

In recent weeks, in addition to declaring its sovereignty, Russia has announced it is taking control of all resources on its territory, including banks, while the Ukraine has unveiled plans to become a neutral state with its own security forces.

With a population of 10m still dominated by the Communist Party, Belorussia has been a relative late-comer in joining the growing nationalist clamour that has already engulfed Moldavia, Georgia, Uzbekistan, and a string of other republics. The three Baltic republics, meanwhile, are pursuing nothing less than full independence.

Although President Mikhail Gorbachev has already launched negotiations for a new union treaty of sovereign republics, many are pre-empting its conclusion with unilateral assertions of sovereignty.

In a separate development, hundreds of Georgians calling for a genuine multi-party system yesterday staged a sit-down protest on a railway line outside the town of Samtredia. Tass, the official Soviet news agency, said the protest later spread to the regional capital of Sukhumi, where railway workers went on a sympathy strike.

Hans Neusel stands close to his damaged car shortly after the bomb attack

W German anti-terrorist chief escapes bomb attack on car

By David Marsh in Bonn

MR HANS Neusel, state secretary in the West German Interior Ministry, narrowly escaped death when the Red Army Faction (RAF) urban guerrilla group bombed his car as he drove to work yesterday morning in Bonn.

The attack was chillingly similar to the blast which killed Mr Alfred Herrhausen, chief executive of the Deutsche Bank, late last year. It amounted to a new warning that German terrorists are maintaining their threat in spite of recent swoops by German police against former RAF members living in Germany.

Mr Neusel, a 62-year-old working at the hub of Bonn's anti-terrorist effort, was slightly wounded in the attack, set off by a remote controlled explosive planted by the side of a motorway slip road in northern Bonn. He was quickly discharged after a brief hospital visit.

He survived largely unscathed because his chauffeur was on holiday, and he was driving himself to work yesterday. If he had been sitting, as usual, in the passenger's seat, he would have been caught by the full force of the bomb.

Mr Neusel appeared calm and composed as he appeared before the Bonn press corps yesterday shortly before midday, only four hours after the detonation. He issued an appeal for the terrorists to desist from their "criminal and depraved actions" and patiently answered questions about his escape.

He has refused an armour-plated car and police protection on the grounds of cost. He said he was one of "thousands" on the possible list of targets. "It is impossible to give 100 per cent protection to an unlimited number of people," he said. However, he admitted he thought that he would not be in danger travelling at 70 kph along a motorway intersection.

Police yesterday found near the scene of the explosion a letter from the RAF claiming responsibility and describing Mr Neusel as a member of the fraternity of "fascist beasts." The message said the attack was made in the name of José Manuel Sevillano, a member of the Spanish revolutionary group Grapo, who died in Madrid in May after a 177-day hunger strike.

● West Berlin authorities said yesterday they had arrested a 32-year-old West German of Arab origin on charges of organising an April 1986 bomb attack on off-duty US soldiers in a city discotheque, Reuter reports from Berlin.

Then President Ronald Reagan blamed Libya for the attack, in which two American servicemen and a Turkish woman died, and sent US air-force jets to bomb Tripoli in retaliation.

E Berlin parties bury dispute

By Leslie Colitt in East Berlin

EAST Germany's Social Democrats (SPD) yesterday buried a coalition dispute with Mr Lothar de Maizière's Christian Democrats (CDU) after agreement was reached on the terms of forthcoming all-German elections.

The SPD, claiming victory in its main demands, agreed to remain in the governing coalition, while the small Liberal Party said it would consider returning after walking out last week.

The SPD leadership said the compromise formula – joint all-German elections next December 2 and a unified electoral law – was the result of its proposals.

Mr de Maizière was somewhat ignominiously forced to back down by Bonn on his demand for separate elections on December 2. The Prime Minister, along with the West German CDU and its Bavarian CSU ally, had pushed for a separate ballot to improve their election chances.

Attempting to salvage what he could from the outcome, Mr de Maizière said it was made possible by his decision to refer the dispute to the German Unity committees of the East and West German parliaments, which reached a compromise formula on Thursday.

"The supports for the bridge were thus erected which enabled the SPD to achieve a consensus with the CDU," a Government spokesman asserted.

Both sides agreed to a common minimum vote in the elections, under which a party would not enter parliament, but postponed naming a figure.

● West Germany's Bundesbank, the central bank, yesterday confirmed that the East German Government will tap the international money market for the first time for short-term funds to help finance the initial costs of currency and economic union between the two countries, Andrew Fisher reports from Frankfurt.

Banks will be able to tender for the issue of notes next week. West Germany's Finance Ministry will guarantee the notes, which will have maturities of a year and 1½ years. It is believed the size of the issue could approach DM1bn ($610m).

Burmese junta breaks promise

Burma's army rulers yesterday reneged on promises not to interfere in the process of forming an elected civilian government, saying they must first approve a new constitution, Reuter reports from Rangoon.

The constitution would still be drawn up by the elected national assembly as agreed, but it must conform to guidelines laid down by an army-appointed "convention" and be put to a referendum before the opposition National League for Democracy, victors in elections last May, could take power.

France's ugly duckling reaches end of the road

By William Dawkins in Paris

AN UGLY but deeply loved symbol of French rural life received the *coup de grâce* yesterday, when Citroën ended production of the 2CV, 41 years – and more than 7m vehicles – after it went on sale.

Production has been limited to a trickle at a plant in Mangualde, Portugal, for the past two years since Citroën, part of the Peugeot group, closed its oldest factory at Levallois just outside Paris, where the "ugly duckling" was born. From September, the Portuguese plant will start making the profitable but less romantic Citroen AX.

The passing of the 2CV – nicknamed the *deuche*, an affectionate form of *deux chevaux* (two horse-power) – is being widely mourned.

Libération, the national newspaper for left-wing trendies, marked the occasion with a double-page picture of the car, which achieved the height of chic when the wife of former Socialist Prime Minister Laurent Fabius insisted on driving it to her husband's office.

End of an era: the last 2CVs are rolled out

French orders have doubled to 40 a day in recent months, as collectors bought stocks.

If the 2CV is today a modish Parisian plaything, it started life quite differently, as the first mass-produced car for French country folk. The legendary Mr Pierre-Jules Boulanger, the Citroën managing director who fathered the 2CV, told his designers to create a cheap car that could carry 50 kilos of potatoes and two people at 60km an hour without consuming more than 3 litres of fuel per 100km.

The vehicle, code-named TPV (*toute petite voiture*), had to cope with France's worst roads and allow Mr Boulanger to enter without denting his bowler on the door frame.

That was in 1935. It took 14 years to get the idea to work, interrupted by the war, when Citroën stubbornly refused to hand over a prototype of the 2CV to the German occupiers, even after they offered to provide a prototype Volkswagen in return.

The first model, unveiled at the 1948 Paris motor show, was available in any colour as long as it was grey, and had a 375cc engine, the world's smallest. Originally, the 2CV was started with a cord, like a lawnmower, but Citroën decided to replace that with an electric starter as a gesture to female drivers.

The 2CV legend includes splendid anecdotes. One of the best is told by Mr Jacques Séguéla, President François Mitterrand's influential publicity adviser, who broke down in his 2CV when it ran out of oil on an expedition in Bolivia. An oil-less Chilean mechanic got him moving again by feeding bananas into the crank case.

Andreotti hangs on as ministers walk out

By John Wyles in Rome

THE Italian government led by Mr Giulio Andreotti has narrowly survived an unprecedented split within the dominant Christian Democrat (DC) party which led to the resignation of five senior ministers and the threat of a paralysing political crisis.

The fact that Mr Andreotti has managed to keep his government on its feet will be welcomed in other European Community capitals concerned about the impact on EC business of an Italian political crisis during the country's current tenure of the EC presidency.

But the exceptionally bitter infighting among Christian Democrats looks set to continue during the coming months and will remain a threat to a frail government whose main purpose will be to survive until expiry of its EC responsibilities at the end of the year.

The occasion of the DC split has been the contents of a controversial new law which provides the first ever regulatory framework for Italy's public and private television networks.

The party's left-wing faction, which represents nearly a third of its membership and is led by former DC leader and prime minister, Mr Ciriaco De Mita, openly contested a number of government positions in a guerrilla campaign aimed at destabilising the DC's current governing majority, which includes Mr Andreotti and his followers.

On Thursday it appeared that a truce had been called, but Mr Andreotti's decision to call votes of confidence on a number of clauses in the television bill prompted the unexpected resignation in the evening of five ministers from Mr De Mita's faction.

They are Mr Mino Martinazzoli at Defence, Mr Calogero Mannino at Agriculture, Mr Carlo Fracanzani at State Shareholdings, Mr Ruiccardo Misasi at the Mezzogiorno Ministry and Mr Sergio Mattarella at Public Instruction.

Despite the violence of this move, the DC left says it will support the government in the votes of confidence and in the final vote next week on the television bill.

At the end of a day of frenzied consultations during which he must have considered resignation, Mr Andreotti last night named three non-parliamentarians - so called "technical ministers" - among the five new members of his government. Most prominent of the technicians is Mr Franco Piga, chairman of the Consob, the stock exchange regulatory authority, who takes over responsibility for public industries at State Shareholdings.

Czechoslovakia wins £280m loan

The European Investment Bank will lend Czechoslovakia up to Ecu400m (£280m) over the next three years as part of the wider Group of 24 effort to help eastern Europe, Mr Henning Christophersen, EC finance commissioner, announced yesterday in Prague, David Buchan reports from Brussels.

The EC commissioner welcomed the plans to make the koruna convertible.

Economist dies

Jean Fourastie, an economist who helped design the reconstruction of postwar France, has died at the age of 83, AP reports.

He was a commentator for the newspaper Le Figaro and the news magazine l'Express. He also wrote numerous books.

Ford closes plant

Ford has closed its car plant in Brazil indefinitely after it was ransacked by striking workers for the third time in a week, reports Christina Lamb in Rio de Janeiro.

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INTERNATIONAL NEWS

Bush plans big rise in alcohol duty to cut deficit

By Peter Riddell, US Editor in Washington

THE Bush administration has outlined its proposals to raise taxes in order to reduce the budget deficit, but there is no sign of an early agreement with Congressional leaders and talks may drag on well into September.

The $50bn package would be split evenly between higher taxes and spending cuts, including a $7bn saving on defence and $16bn off welfare and health payments and farm subsidies.

The tax side would include increases in federal excise duties to generate more than $7bn in additional revenue (by, for example, lifting the tax on a six-pack of beer from 16 to 81 cents and on a bottle of table wine from 3 to 76 cents). A further $3bn would be produced by limiting to $10,000 the currently unlimited deductions from federal income taxes for state and local taxes.

Both changes are strongly opposed by affected parties. The beer industry has run television commercials warning of the threat to the ordinary American, while states with high income taxes such as New York have protested about the adverse impact on them.

Some Republicans are also worried about the administration's desire to freeze for a year and then to limit cost-of-living adjustments on federal and military workers' retirement benefits.

After a week of what were intended to be decisive meetings involving President George Bush, negotiators have now virtually given up the goal of an agreement before the planned Congressional recess in early August. Decisions will be taken next week on whether to keep Congress in session and on a new timetable for the talks.

The Democrats have not yet completed their own package though this is likely to involve an increase in the top rate of income tax (as the price for a cut in capital gains tax) as well as increases in excise duties.

GE agrees penalties for overcharging

By Lionel Barber in Washington

GENERAL Electric of the US, the diversified defence and electronics group, has agreed to pay $16.1m (£8.8m) in criminal and civil penalties after overcharging the US Army for a battlefield computer system.

The fine, one of the largest assessed by the Pentagon, is the centrepiece of an agreement between GE and the Justice Department relating to overcharging by the Management and Technical Services Company, a Pennsylvania-based subsidiary of GE's aerospace division.

The settlement also covers other government complaints that GE padded 400 bids that affected 200 contracts in military and space-related activities. GE has settled these disputes through an $11.7m payment included in the deal with the government.

Earlier this year, GE was convicted in a criminal court case of overcharging the US Army on its original $254m contract. This week's settlement also includes a promise by GE not to appeal against its conviction or its sentence.

Last February, Northrop Corporation agreed to pay $17m for falsifying test data on components for the Cruise missile and the Harrier jump-jet.

The largest settlement relating to military fraud came two years ago when the Sundstrand Corporation paid the US government $115m for overbilling.

Tight security for Fujimori

By Sally Bowen in Lima

TIGHT security measures were in force in Lima ready for the inauguration today of Mr Alberto Fujimori as Peru's president.

Police fear an escalation of the terrorist activities which both of Peru's principal guerrilla groups embarked on a week ago. Last week's assassination of a leading businessman and department store fire-bombings were followed by a Wednesday night rocket attack on Government Palace itself. The following night subversives blew up electricity pylons plunging the capital into darkness.

The handover ceremonies begin with a Te Deum and Mass in Lima's Cathedral today, followed by the swearing-in of the new president in the Congress building. The leaders of Chile, Bolivia, Argentina, Venezuela, Colombia and Cuba are expected.

Mr Fujimori, the son of Japanese immigrants to Peru, is Latin America's first president of Asian origin.

Objection to Slovo at talks attempts to drive wedge between ANC and its chief ally

De Klerk tries to ban top communist from ANC team

By Patti Waldmeir in Johannesburg

MR F.W. de Klerk, the South African President, has provoked a confrontation with the African National Congress by opposing inclusion of a prominent communist on the ANC's negotiating team for peace talks due to take place on August 6.

The ANC's national executive committee said it would meet, probably on Monday, to determine its response to Pretoria's request that Mr Joe Slovo, general secretary of the South African Communist party and one of the most powerful ANC leaders, be excluded from a five-man ANC negotiating team. Pretoria alleges that Mr Slovo has been involved in infiltrating ANC guerrillas into South Africa to prepare for insurrection if negotiations with the government fail.

The ANC said Mr de Klerk had expressed a "preference" for Mr Slovo's exclusion when he met Mr Nelson Mandela, deputy president of the ANC, in emergency session on Thursday night.

ANC officials said it was possible, though not likely, that Mr Slovo would be asked to leave the team. If he were asked to do so, this would represent a major rift in the alliance between the ANC and the Communist party, its oldest and closest ally in the anti-apartheid struggle.

But it seemed likely last night that some formula could be found to allow Mr Slovo to attend the August 6 talks, which an ANC spokesman said were not in jeopardy. The ANC's response to the Government's request was muted: given the importance of Mr Slovo's position within the organisation, it could have been expected to reject Pretoria's call outright.

Evidence of less than total support for Mr Slovo could indicate a power struggle within the alliance over the issue of the 30-year-old policy of armed struggle. Some of Mr Slovo's Communist colleagues argue that the ANC must maintain underground military strength in case talks break down; other ANC leaders oppose this approach.

Reuter adds from Cape Town: South Africa yesterday abolished the mandatory death penalty for murder and rape, leaving judges to decide whether to impose the death penalty, giving new hope to hundreds on death row.

All current death sentences will be now reviewed.

South Africa has one of the highest execution rates in the world, with 172 people executed in 1987. A total of 321 people are on death row. In February President de Klerk ordered a halt to hangings.

Joe Slovo: accused of planning insurrection

Pretoria tests ANC/communist unity

Closeness to power is putting a 30-year alliance under strain, writes Patti Waldmeir

SOUTH AFRICANS gather in Soweto this weekend to relaunch what may well turn out to be the last true communist party of the 20th century.

The public relaunch of the South African Communist Party – a secretive organisation banned for 40 years until February – comes as its alliance with the African National Congress (ANC) is under strain.

Pretoria has accused the Communist party of conspiring to overthrow the Government, and is resisting the inclusion of the party's general secretary, Mr Joe Slovo, on the ANC's five-man negotiating team at the next round of talks on August 6.

This ultimatum from Pretoria will heighten tensions between the ANC and its oldest and closest ally, the Communist party: to drop Mr Slovo from the negotiating team would look like a public repudiation of the ANC/Communist alliance; but to insist on his presence could mean a breakdown in the talks when both sides say they are keen to proceed swiftly.

It seems unlikely that Mr Nelson Mandela, deputy president of the ANC and its most prominent non-communist, would seek a split at this stage. The Communist party brings to the alliance two well-organised power bases – the black trade union movement and the guerrilla fighters of Umkhonto we Sizwe, the ANC military wing – as well as the militant youth of South Africa's black townships. Its members occupy many powerful positions on the ANC's policy-making body, the national executive committee, and provide the intellectual backbone for a movement which has relatively few impressive thinkers who are not communists. The ANC, for its part, contributes the unorganised millions who inhabit the centre of black politics.

In a recent interview, Mr Slovo put it this way: "It (the ANC) is a multi-class organisation. It has within its ranks communists, non-communists, anti-communists, workers, capitalists, middle classes. That is the strength of the ANC and it would be a disaster if it were to move away from that position." Mr Mandela, too, has repeatedly affirmed his support for the alliance.

But the two sides are finding that proximity to power is putting strains on the cosy relations of 30-odd years in exile, when it was easy to agree on the broad objective of liberation. Current events, including the Communist party launch on Sunday, could mark the first serious parting of the ways. Pretoria is clearly keen to foster this process: the ruling National Party's future may depend on it forming a coalition with the ANC; but the Communist party is likely to resist this.

Recently a prominent ANC leader, Mr Pallo Jordan, ANC secretary for information, launched a bitter public attack on the Communist party and Mr Slovo. "The political culture nurtured by the Communist party's leadership over the years has produced a spirit of intolerance, petty intellectual thuggery and political dissembling among its membership," he said.

There is also ample evidence of tensions between ANC leaders who believe the organisation should suspend its largely ineffective armed struggle, and those who would continue underground military operations. This split does not necessarily follow party lines; but prominent Communists admit they have organised the infiltration of guerrillas to oppose the Government if talks break down. Mr Mandela (who represents the ANC's more conservative black nationalist camp) has done little to mask his exasperation at them.

Indeed, when Mr de Klerk informed him that Communist party members (all of whom are automatically ANC members as well) were planning insurgency, Mr Mandela is understood to have declined to oppose their arrest.

The Communist party's efforts underground have come to light as the party is about to reveal its leadership for the first time since it was formed in 1921. Some 24 members of a so-called Interim Leadership Group are to be named, and are likely to include a number of whites and Indians, as well as prominent trade unionists.

They are to address a rally near Soweto, which could attract up to 100,000 people. The party's egalitarian ideology remains powerfully attractive in a country of huge disparities in income and wealth; and though it believes in a relatively slow transition to socialism – Mr Slovo says he will not see socialism in his lifetime, or perhaps that of his children – its support is significant in the townships.

But the party is not promising to reveal the full communist contingent on the ANC national executive. Instead, the status quo is likely to continue: the Communist party will wield influence out of proportion to its potential electoral strength – but largely in secret.

Philippines considers moratorium on debt

By Greg Hutchinson in Manila

THE Philippine Government wants to negotiate maximum relief on its foreign debt after the earthquake in central and northern Luzon.

Mr Jose Cuisia, central bank governor, said a moratorium on the country's $26bn debt, a debt cap, concessional loans and waivers on interest payments were all being considered.

Mr Cuisia said it was felt that "a unilateral move is going to be more detrimental to the country" and that a negotiated approach" was preferred.

The earthquake left 1,600 dead, 1,000 missing and 100,000 homeless. More than 20,000 homes were destroyed as well as hotels, government buildings and roads.

The government has been offered a soft loan of $50m from the Asian Development Bank for agricultural rehabilitation in the area, and Mrs Aquino's government has begun discussions with bilateral and multilateral institutions for $500m of emergency assistance.

Mrs Aquino on Thursday outlined a three-pronged approach to debt relief to free resources for reconstruction efforts.

First, the government wanted a debt and interest reduction operation – following January's $1.3 bn debt buyback, she said.

Second, it was making special appeals to creditor governments under the Paris Club for a temporary easing of financial terms of official loans. Talks with some governments had already begun.

Third, Mrs Aquino said her government was taking measures to reduce the country's commercial bank debts. One measure is a deferred debt buyback programme, whereby a new company would be created to repurchase the debt for the Philippines until the country had enough funds to repurchase the debt from the new company. It would pay about 50 per cent of the paper's face value.

A second measure would be the issue of temporary interest rate reduction bonds, similar to a debt-for-bonds swap.

Poor exports hit Australia's June trade performance

By Bruce Jacques in Sydney

AUSTRALIA'S trade performance remained poor last month with a current account deficit of A$1.575bn, down slightly on the May's revised figure of A$1.632bn.

The June result brought Australia's current account deficit for the 1989-90 financial year to a record A$21.157bn, up 19 per cent on the previous year's A$17.76bn and also well ahead of the government's budget forecast of A$18.5bn.

The June figure was higher than the range of A$1bn to A$1.5bn predicted by economists, and it initially prompted a mild selling wave on the Australian dollar, pushing it down nearly half a cent to just under 78 cents against the US dollar. But the currency later recovered strongly to 78.5 US cents.

The June trade figures reflected a worsening export performance, especially in rural commodities. Exports fell 9 per cent in the month but imports were down by 14 per cent, giving some credence to suggestions that the government's high interest policies are slowing demand.

Mr Paul Keating, the Treasurer, described the current account deficit as uncomfortably large and said the 8.6 per cent inflation rate was also too high.

But Mr Keating said the trade figures showed that imports were declining and the government would not allow demand to surge again by easing monetary policies.

The Treasurer also said he accepted arguments that the value of the Australian dollar was hurting Australia's international competitiveness.

Reuter adds from Canberra: Bankruptcies in Australia rose almost 26 per cent in the three months to the end of June as commercial interest rates of around 18 per cent bit hard.

The Labor government has kept monetary policy tight for the past 18 months in an attempt to curb consumer demand for imports.

Cubans free to go, says Castro

PRESIDENT Fidel Castro of Cuba has challenged the US and western Europe to issue entry visas to Cubans, saying his government would let out all who wanted to leave, Reuter reports from Havana.

The Cuban leader made the surprise proposal for resolving a controversy with Madrid over Cubans who want to leave the communist-ruled island in a three-hour speech on Thursday night at a rally in the capital's Revolution Square.

"If they want, we can make an agreement, Spain and the European Community and ourselves. . . for free exit to the right-wing community of Europe for all who want to go," he told the cheering 100,000-strong crowd. If the US wanted to receive people who said they felt persecuted in Cuba, "let them send the boats," he said.

He made clear the offer did not extend to 22 Cubans sheltering in foreign missions in Havana, 18 of them at the Spanish embassy and four at the Italian ambassador's residence.

Western diplomats said the US and European countries were likely to react very cautiously to the Cuban leader's offer. It was too early to say whether his suggestion would lead to the kind of mass exodus that occurred in 1980, when 125,000 Cubans were allowed to travel to the US.

President Castro said it was not Cuba that was stopping Cubans from leaving but the US and European countries with restrictive immigration policies.

● Spain's foreign minister Francisco Fernandez Ordonez left for Peru to attend the inauguration today of President Albert Fujimori, which President Castro will also attend. He foresaw no meeting with President Castro in Peru.

Senate votes for economic sanctions against Iraq

By Lionel Barber in Washington

THE US Senate yesterday voted to impose economic sanctions against Iraq, increasing pressure on the Bush administration to take action against President Saddam Hussein.

The 80-16 Senate vote calls for an end to the $1.2bn in loan guarantees Iraq receives to buy US farm and commercial products, and is expected to be followed soon by a call for similar vote in the House of Representatives.

Pressure to take action against Iraq rose after the Baghdad government used military threats against two of its Gulf neighbours to force through oil price rises at this week's Opec meeting.

US officials said yesterday the Administration was considering new economic sanctions and export controls as a result of Iraq's bellicose behaviour. The measures would aim to signal displeasure without totally alienating the unpredictable President Hussein.

Options under review include putting Iraq back on the US list of terrorist nations, ending commodity loan guarantees, and banning Exim Bank credits for US industrial goods, as well as imposing tighter restrictions on US exports.

The administration has argued that economic sanctions have limited influence over Iraq because the US only does about $2bn of annual trade. But President Hussein's threats against Kuwait and the United Arab Emirates, its two oil-producing neighbours have alarmed Washington.

The Senate vote could still be watered down by farm interests who are worried about the loss of a useful export market for their rice, wheat and other commodities. But the clamour for action, if only symbolic, is growing.

Judge scoffs at Bush nominee

By Lionel Barber in Washington

JUSTICE Thurgood Marshall, 82, sole black on the US Supreme Court, yesterday tried to stir controversy over Mr David Souter, President George Bush's little-known nominee to the Court.

Justice Marshall said on TV he had never heard of Judge Souter and suggested the appointment was a political move instigated by White House conservatives.

Supreme Court Justices are supposed to stand above the political fray; but Justice Marshall has been outspoken, once saying President Reagan's civil rights record "ranked at the bottom of US presidents."

In his ABC TV interview, Justice Marshall – a close ally of the 84-year-old Justice William Brennan who retired last week – also criticised President Bush. "It's said that if you can't say something good about a dead person don't say it. Well, I consider him dead."

BAT may challenge court ruling

By Barbara Durr in New York

BAT Industries is considering seeking a US Supreme Court review of a New Jersey state court decision allowing liability cases to be brought over smokers' deaths.

BAT's American subsidiary, Brown & Williamson Tobacco, and two other US tobacco companies, American Brands and R.J. Reynolds, are defendants in a lawsuit filed by a New Jersey woman whose husband died in 1981 after smoking for 40 years. The New Jersey Supreme Court decided on Thursday that it would permit state citizens to pursue liability cases on the basis that health labels on cigarette packages could be determined an inadequate warning of the health risks.

The decision ignores prior rulings by five federal appeals courts which held that manufacturers were not liable for smoker deaths after 1966, when the law mandating warning labels went into effect.

The decision was hailed a breakthrough by anti-smoking groups who have fought to end the immunity afforded to cigarette makers by the 1966 law. In the New Jersey case, the tobacco companies had attempted to halt the lawsuit filed in 1982 by Mrs Claire Dewey, the widow, but the decision now allows her to proceed with litigation. Brown & Williamson called the New Jersey court's decision "aberrant and wrongly decided".

If the company asks the US Supreme Court to consider the case and the court accepts, the suit will be stayed until a decision is taken. If the court declines such a review, the case will proceed in New Jersey. In the latter instance, Brown & Williamson said it remains confident that no finding of liability will be made. The company also has no fears that the New Jersey decision will be imitated by courts elsewhere.

Bond will sue over failed sale of stake in BSB

By Raymond Snoddy

MR ALAN BOND, the Australian businessman, is to take legal action against the biggest shareholders in British Satellite Broadcasting over losses of about £90m suffered when his stake in the venture was diluted.

A writ is being prepared and will be served next week.

Mr Bond will allege, it is believed, that it was unreasonable of the four main shareholders – Granada; Pearson, publishers of the Financial Times; Reed International; and Chargeurs – to turn down three potential purchasers of his stake for different reasons.

Mr Robert Maxwell, publisher of Mirror Group Newspapers, wanted to buy the full 34 per cent Bond stake but was told he could only have 19.9 per cent. Mr Michael Green, chairman of Carlton Communications, was seriously interested but only if he was given managerial control to overcome what he saw as the difficulties the venture faces. The BSB shareholders said no. Mr Conrad Black, chairman of The Daily Telegaph, wanted to take half the stake but only if he could come in behind Mr Green.

The argument came to a head this week, when the BSB shareholders announced the ending of a "period of grace" during which Mr Bond was able to sell his £154m stake in the satellite television system without its being diluted.

Originally Mr Bond, who is fighting for his financial survival, had until the end of May to decide on one of three courses of action – to participate in a £900m restructuring of BSB; to see his 34 per cent stake fall to 7.5 per cent; or to sell the stake.

The period of grace had been offered when Mr Bond failed to dispose of his stake by the May deadline.

Technically, the consortium members insist, the dilution happened at the end of May, although Mr Bond was given a further extension to sell his original stake to one of six companies on an agreed shortlist.

On Tuesday, the BSB shareholders said the final extension for Mr Bond had run out on July 19 and instead of a 34 per cent stake in the original £423m venture, he now has 7.5 per cent of a consortium in which the equity or equity equivalent totals £882m.

Mr Bond has already expressed his displeasure in writing to BSB shareholders. The shareholders clearly believe they have been flexible.

Buy-back offer turned down, Page 10

King's Cross project cuts harm job hopes

By Richard Tomkins, Transport Correspondent

HEAVY cuts in the scale of the proposed £3bn King's Cross development in London will mean the number of jobs it could provide will fall by about 3,000 to 26,000.

The revisions have been made in the hope of getting outline planning permission for the 134-acre development from the London Borough of Camden at the third attempt.

Earlier efforts to win over Camden councillors to the scheme have foundered on fears that the office buildings within it – by far the largest element – would overwhelm the surrounding area.

The proposed commercial floorspace has now been reduced by 735,000 sq ft to 5.78m sq ft, so reducing the mass of the development but simultaneously reducing its potential for creating jobs.

Two 180-metre high office spires planned by Sir Norman Foster, designer of the Hongkong and Shanghai Bank headquarters, remain as one of the dominant features of the scheme.

The King's Cross redevelopment is easily the biggest city-centre project in Europe. The developer is the London Regeneration Consortium, comprising the Rosehaugh and Stanhope property groups and NFC, the freight company.

The consortium has been trying to get planning permission since April last year, but has met with strong opposition, arising from concern over its environmental effects.

British Rail, which owns the King's Cross site, may make smaller profits if the development is cut in size. However, it said yesterday that that would not directly affect its plans for a subterranean international railway terminal at the site, because funding for that was not linked with the profitability of the development.

Financial service training plea

By Eric Short

PEOPLE WHO work in financial services must all be trained to high standards and must be tested on their knowledge, the Consumers' Association says in its response to a Securities and Investments Board consultative paper on training and competence in the industry.

Everyone in all sectors of the industry should have a "core knowledge" of subjects including taxation, social security and the financial services regulatory system, the association says.

It warns the SIB against lowering the competence standards simply because the failure rate would be high.

It cites evidence that a failure rate of 40 per cent or more should result in more intensive training and a better selection process, not in lower standards.

Individuals, it says, should be assessed on their ability to apply their knowledge in a practical way. It warns the SIB against making exemptions to the proposed competence testing.

Left to right: Robert Malpas, Chairman of PowerGen, John Wakeham, Energy Secretary, and Sir Trevor Holdsworth, Chairman of National Power

High charge in the air of an electric five days

David Thomas charts the strange but true daily twists of a week in the power privatisation programme

NEWS that the Union of Democratic Mineworkers is considering a bid for PowerGen, one of the two electricity generating companies heading for privatisation, is a suitably surreal end to a bizarre week.

Mr Roy Lynk, president of the union that kept the lights burning during the 1984-85 miners' strike, yesterday said he was trying to form a consortium. He is worried that Hanson, the industrial conglomerate and front-runner to take over PowerGen, would destroy the jobs of his 16,000 members by increasing coal imports.

Mr Lynk acknowledges that he has some way to go to raise the £1.5bn which is mooted as the price for PowerGen. He is due to discuss his ambitions with bankers next week. "You don't know a quicker way to raise £1.5bn, do you?" he asks.

A union-led consortium buying a utility would be a first for the Government's privatisations. But after recent events, anything seems possible.

Last week, the small army of merchant bankers employed to privatise electricity was quietly confident about the smooth progress of this, the biggest and most complex privatisation to date. They emphasised two points.

First, the really big decisions about the sale had been made. Second, nothing unexpected would now occur to derail the flotation of the 12 distribution companies in the autumn and of National Power and PowerGen early next year.

A week is a long time in merchant banking, as the events of the past five days have proved.

Monday opened on a high point with the most dramatic news of all. Mr John Wakeham, Energy Secretary, officially confirmed his talks with Hanson and said that a formal Hanson bid would trigger an auction for PowerGen.

The announcement was treated as a political godsend by the Labour Party. It was greeted with bemusement by the City, not least by the well paid scribes hard at work on the flotation prospectuses.

Tuesday, apparently more quiet, saw perhaps an even stranger development, albeit on a much smaller scale. The Government announced that Nuclear Electric's 14,000 workers would receive a generous package of free shares when the industry is privatised.

Free shares for employees are a privatisation tradition. They help to foster worker loyalty as a company moves into the private sector.

The oddity about the gesture is that Nuclear Electric is staying in the public sector. Its workers will be offered free shares in National Power, one of Nuclear Electric's competitors. It is as though J. Sainsbury were to motivate its workers by giving them free shares in Tesco.

The Department of Energy made no attempt to explain its unusual theory of worker motivation. Neither could it estimate the cost of the share package on offer to the electricity industry's entire 130,000 workforce.

A harsh judge might conclude that the department had made no cost estimates before announcing the package. The charitable explanation is that it does not believe taxpayers have a right to such information.

Wednesday was marked by an event that stretched charity to breaking point. The Government issued a robust attack on a report from the Commons Energy Committee, which had accused it of mishandling the abortive attempt to privatise the nuclear industry.

Since the Government's 21-page memorandum slipped out of the Energy Department at 4.45pm, two days before Parliament's summer recess, cynics might conclude that the Government was trying to avoid scrutiny of its arguments.

If that was the strategy, it failed. Lord Marshall, former chairman of the Central Electricity Generating Board, immediately accused the Government of deliberately misquoting him in the memorandum.

Thursday was graced by publication of one of the strangest set of accounts ever issued in Britain. National Power, a company that has existed since April 1, issued a report for the year to March 31.

Thanks to provisions totalling £914m, the company reported a loss of £605m for a year in which it did not exist. "They deserve to win the Booker prize for fiction," said one City analyst about the accounts.

Friday might have been a day of recuperation, had it not been for Mr Lynk. It has been a week that has brought much harmless pleasure. But what conclusions of a more serious nature can be drawn from the events? Three things stand out.

First, many people in the City reacted to the Hanson intervention by dismissing it as a ruse. They saw it as an attempt to put pressure on PowerGen to be more reasonable in its capital structure negotiations.

That may be a mistake. However the Hanson saga started, it is now developing a momentum of its own. Withdrawal by Hanson would severely embarrass both the Government and the entire privatisation.

Second, this week's other piece of conventional wisdom – that a sale of PowerGen to a single buyer would make it more difficult to float National Power – looks equally wide of the mark.

Almost by definition, one company is easier to float than two at the same time, while a prior sale of PowerGen would establish a benchmark price for National Power.

Third, sale of the 12 distribution companies and the National Grid, the dull bits of the industry, may raise proceeds of over £7bn, somewhat higher than recent estimates. That was the conclusion drawn by some analysts from Monday's announcement that their combined debt would be £2.843bn – one of the few of this week's decisions that had been long anticipated.

Letters, Page 7

State aid for cathedral office project

By Ian Hamilton Fazey, Northern Correspondent

MRS Margaret Thatcher, the Prime Minister, yesterday gave her blessing to a partnership between Liverpool Cathedral and Mammon.

The city's Anglican cathedral has gone into commercial property development with a £7.5m terrace of offices and shops on the corner of its new entrance road.

The Government is giving £1.35m to the project and the rest will come from the cathedral's dean and chapter, the body responsible for the management of the building and its land.

Mrs Thatcher unveiled a plaque at an informal service-cum-ceremony in the cathedral conducted by the dean, the Very Reverend Derrick Walters.

The Bishop of Liverpool, the Right Rev David Sheppard, one of Britain's leading critics of the social consequences of market economics, was in the congregation-cum-audience.

Mrs Thatcher said the founders of the cathedral could not have foreseen that trade would shift from west to east and wreck Merseyside's economy, but she was sure that they would hate waste and dereliction, "as we do."

Tackling the derelict site in front of the cathedral follows the initiative of Mr Michael Heseltine after the Toxteth riots of nine years ago.

The new project is the third phase of a mixed scheme which also involves housing and a college.

Ford announces further price increases

By John Griffiths

THE AVERAGE list price of a new Ford car will be 12.7 per cent higher from mid August than at the start of the year, as a result of a new round of price increases announced last night by the UK market leader.

Ford said the prices of most of its cars would be increased by an average of 3.9 per cent from August 13. The increase is the third this year and means that, cumulatively, the increases are running well in excess of inflation.

A mid-August price increase has been a common feature of the UK motor sales scene in the past. Usually announced at least a couple of weeks ahead of the increase being imposed, it is used to maintain the momentum of orders after the August sales boom subsides.

The cumulative increases this year are likely to lead to protests from fleet operators, some of which have criticised the rises already imposed.

Ford said last night that the increase "reflects a rise in the cost of some components and materials and takes into account improved specification".

Traditionally, Ford sets the pricing pace in the UK and the other leading UK producers are likely to follow suit shortly.

In a market where sales are falling sharply for the first time for years, Ford's move is likely to be seen in some quarters as providing simply a higher price base from which to offer discounts.

With August 1, and the introduction of the H registration prefix, just four days away, manufacturers and dealers are awaiting the August sales outcome with anxiety rather than eagerness, for the first time since the mid 1980s.

Sales were down 10.9 per cent for the first half of the year, on a year-on-year basis, and a much more worrying 18.3 per cent in June.

In the current month they are running about 15 per cent lower, but no one in the business is taking any comfort from that. July usually accounts for around 2 per cent of total annual sales because most buyers choose to wait for the new registration plate.

Industry estimates for August sales range between 420,000 and 470,000, compared with almost exactly 500,000 last year. "Of those, about 30,000 will just be lying around in fields, registered by dealers on manufacturers' instructions to boost market share, but with no real homes to go to," according to Mr Mike Williamson, chairman and chief executive of the multi-franchise Appleyard dealer group.

It is, in short, a buyers' market – and expected to remain so to the end of the year, because hoped-for interest-rate cuts have failed to materialise.

Manufacturers have racked their brains for schemes to coax motorists into buying, without making the straightforward price cuts which would limit their room for manoeuvre when more buoyant market conditions return.

Fund managers' head denies short-termism

By Barry Riley

THE CHAIRMAN of the Institutional Fund Managers' Association has protested about the "barely disguised hostility" shown to City investment managers by an offshoot of the Department of Trade and Industry.

An argument has developed about documents and speeches prepared for the DTI's conference on innovation and short-termism on June 25. The conference was mounted under the auspices of the Innovation Advisory Board, a panel that advises the Department.

Mr Charles Nunneley, chairman of the fund managers' trade association, which represents 63 leading firms of investment managers, has written to Lord Chilver, chairman of the IAB. He said his members were "concerned about the credence being given to misinformed comment about their role."

Mr Nunneley's main criticisms concern a paper called Innovation: City Attitudes and Practices, which was produced for the conference by the IAB's secretariat.

The paper, he says, is poorly argued and ignores or misinterprets evidence that runs counter to the authors' thesis. He adds: "We are surprised that the board and the DTI should have countenanced the publication of a paper which will inevitably be seen as representing an official government view."

At the conference, City fund managers came under fire for pressurising British companies into short-term attitudes. Dividends were being raised allegedly at the expense of a long-term commitment to research and development.

Mr Nunneley writes: "We know of no evidence that research and development expenditure has been constrained by companies increasing dividend payments. We do not believe there is a trade-off; indeed, the ultimate aim of research and development should be growth of profits and dividends."

He also criticises proposals for fiscal changes, such as the introduction of a short-term capital gains tax, in order to counter short-termism.

"The introduction of fiscal distortions," Mr Nunneley says, "would make the normal processes of investment management more difficult, and administration more cumbersome and expensive, without achieving any useful purpose."

THE GUINNESS TRIAL

Prosecution dependent on liar, jury told

MR Olivier Roux, a self-confessed liar, was the cornerstone of the prosecution's case against Mr Ernest Saunders, the jury at Southwark Crown Court was told yesterday.

If Mr Roux was flawed, the prosecution was flawed, said Mr Richard Ferguson, QC, defending the former Guinness chairman and chief executive.

He said it was only Mr Roux's evidence that forged a link between Mr Saunders and the £25m of illegal payments made by Guinness to those who supported its share price during the 1986 takeover battle for Distillers, that were central to the case.

Mr Roux claimed he made the payments with Mr Saunders' approval. Mr Saunders denied that. There were no other direct witnesses and the only documents relating to the payments bore the signature or initials of Mr Roux, not those of Mr Saunders.

Further, Mr Ferguson said, Mr Roux, Guinness finance director at the time, had admitted he lied on oath to Department of Trade and Industry inspectors investigating Guinness, and to the court.

"How can you convict anyone on the evidence of Mr Roux?" Mr Ferguson asked.

Yet, he said, Mr Roux – "a broken reed" – had been put forward by the prosecution as a witness of truth. The jury might think he should be in the dock.

Mr Ferguson said he was not asking the jury to accept that all Mr Saunders had told them had been "the gospel truth" but, he suggested, there were reasons why he should be believed.

The jury's proper response to the lack of prosecution evidence was to reject the charges "and put an end to what Mr Saunders may well be right in seeing as a witch hunt," Mr Ferguson suggested.

He was making his final speech in the trial in which Mr Saunders; Mr Gerald Ronson, Heron group chairman; Mr Anthony Parnes, a City stockbroker; and Sir Jack Lyons, the millionaire financier, deny charges arising from the Guinness share support operation.

Court report by **Raymond Hughes**

Mr Ferguson said Mr Saunders – the only defendant to give evidence – had had the courage to face his accusers and tell his story "warts and all."

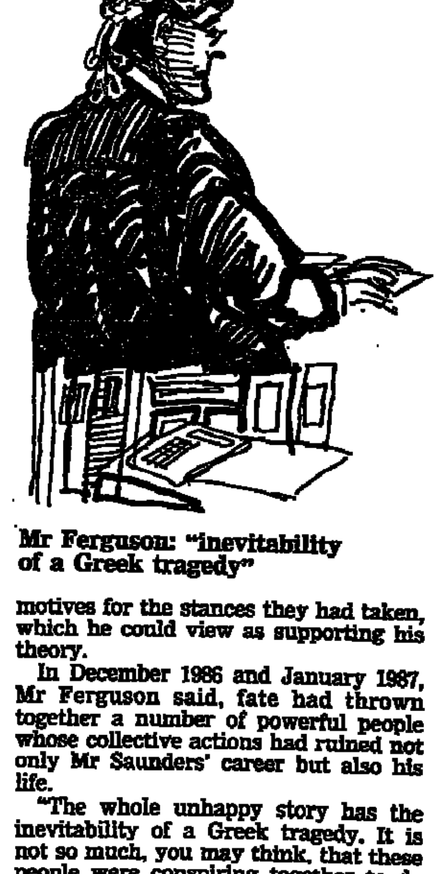
His mission to prove his innocence might well have become an obsession and he might have become paranoid about being the victim of conspiracy, but that did not necessarily detract from the justice of his case.

The jury might feel that it had to discount Mr Saunders' more extravagant accusations and that he had overstated his conspiracy theory.

It did not, however, follow that the kernel of what he had said was not true.

Mr Ferguson said Mr Saunders was "a man possessed with an overpowering sense of injustice about what he has suffered at the hands of the Guinness company, the Guinness family and the Establishment."

He might have become boring and repetitious about his conspiracy theory, but other parties in the case had had motives for the stances they had taken, which he could view as supporting his theory.



Mr Ferguson: "inevitability of a Greek tragedy"

In December 1986 and January 1987, Mr Ferguson said, fate had thrown together a number of powerful people whose collective actions had ruined not only Mr Saunders' career but also his life.

"The whole unhappy story has the inevitability of a Greek tragedy. It is not so much, you may think, that these people were conspiring together to do him down, but they did have a common link: that it was in their interest to get rid of Ernest Saunders."

They had included "the Scottish mafia", angered at the way Guinness, led by Mr Saunders, had acquired Bells and Distillers. For them, Mr Saunders was "the baddie."

There had been the "cabal" of new non-executive directors of Guinness led by Sir Norman Macfarlane, concerned about preserving their "Persil-white" image in the City.

Members of the Guinness family – the "most treacherous" of whom had been Lord Iveagh, Guinness's president – had been persuaded that the future of their company was more important than the man who had saved it and enriched them.

There had been Freshfields and Price Waterhouse, Guinness's solicitors and auditors – Mr Ferguson spoke of "the self-serving treachery" of Mr Howard Hughes, of Price Waterhouse – concerned about possible criticism of their actions and non-actions.

Also, Mr Ferguson said, there was Mr Roux, who had put himself in the position where only by telling lies could he save himself from the fate that had befallen Mr Saunders.

The jury might think, Mr Ferguson said, that it had been Mr Roux and Mr Thomas Ward, a US lawyer and then a Guinness non-executive director, who had masterminded the share support operation.

"The pushy American lawyer and the product of the American school of business management bringing the standards and the methods of American business into this takeover bid."

The trial continues on Monday.

NEWS IN BRIEF

SIB obtains 'cold calling' injunctions

THE Securities and Investments Board has for the first time obtained permanent injunctions against six people preventing them from "cold calling," writes Richard Waters. "Cold calling" means contacting people unannounced in an attempt to sell them investments.

The six – Mr Anil Kohli, Mr Enver Janiv Deen, Mr Laurence Penn, Mr Martin Hanshaw, Mr Sultan Cheema and Mr Richard Latham – were all associated with Vandersteen, a Belgium-based investment firm that had sold investments by telephone to UK investors without authorisation under the Financial Services Act.

The SIB, which had earlier obtained an injunction against Vandersteen, took action against the six in a further attempt to alert British investors who might otherwise do business with them.

Broker absorbed

ATTRITION among smaller stockbrokers, and the creation of a handful of private client brokers with region-wide or national reach, continued yesterday with the confirmation that Charlton Seal, Manchester's second-largest stockbroker, has been absorbed by Newcastle-based Wise Speke.

Thirty staff of the Manchester firm, formerly owned by Benchmark, a quoted group, will continue to operate under the Charlton Seal name as a division of Wise Speke, while an unspecified number of settlement and other back office staff face redundancy.

It was also confirmed that Schaverien, a broker bought by Benchmark and merged with Charlton Seal, has been taken over by the London-based Charles Stanley.

MMC referral

THE proposed acquisition by Trelleborg, the Swedish industrial conglomerate, of Mc Kechnie Extruded Products, the specialist metal company is to be investigated by the Monopolies and Mergers Commission.

The referral to the MMC by Mr Peter Lilley, the Trade and Industry Secretary, follows a recommendation from Sir Gordon Borrie, Director General of Fair Trading. Mr Lilley believed there were possible implications for competition in the UK market for semi-finished extruded – or specialist moulded – brass, the DTI said yesterday. The MMC report is due by November 28 1990.

National Savings

THE Department of National Savings should be given semi-independent agency status to compete in the open market, the Commons Treasury and Civil Service Committee said yesterday.

The department is now part of the Treasury. However, a report by the cross-party committee recommended consideration should be given to including it in the Government's Next Steps programme – Civil Service reorganisation – which would hive it off from Whitehall control.

UK NEWS

Northern printer to close with loss of nearly 700 jobs

By Raymond Snoddy

NORTHPRINT, one of the largest newspaper printers in the Manchester area, is to close with the loss of nearly 700 jobs.

The company, a 50-50 joint venture between Associated Newspapers and The Guardian and Manchester Evening News, prints the Manchester Evening News and the northern editions of the Daily Mail, The Mail on Sunday and The Guardian.

Mr Harry Roche, chairman and chief executive of The Guardian and Manchester Evening News, said yesterday in a statement: "It is clear that in terms of quality and cost it is not possible to compete effectively in either the national or regional newspaper market with our northern printing operation based at Northprint."

The plant dates from 1931, although £20m has been spent on modernisation in recent years.

It will close on November 3 and printing work will be transferred to plants in Manchester, Stoke and Sunderland.

Printing of the northern edition of the Daily Mail will move to Northcliffe Newspapers' plant at Stoke and to the Sunderland plant of Portsmouth and Sunderland Newspapers.

Printing of The Mail on Sunday's northern edition will be split between Sunderland and The Daily Telegraph printing plant at Trafford Park.

Sir David English, editor-in-chief of Associated Newspapers, said there would be considerable improvement in printing quality with "first-class colour throughout".

Printing of The Guardian and Manchester Evening News will move to the Trafford Park plant.

A total of 686 people are to be made redundant as a result of the closure – 286 employees of the joint venture company, 220 Associated employees and 180 employees of The Guardian and Manchester Evening News company.

A few of the redundant workers may get jobs at Trafford Park.

After the one-off costs of redundancy payments, the move to contract printing will cut costs.

Pilot wins record £1.57m personal injury damages

AN AIRLINE pilot who was paralysed after a motorcycle accident was yesterday awarded damages of £1.57m at the High Court in London. It was the highest court award in a claim for personal injury compensation.

Mr John Lambert, aged 42, of Weymouth, Dorset, won damages and costs against Devon County Council, the highway authority responsible for the road where the accident occurred nine years ago.

Mr Lambert worked at the time for Royal Air Maroc. He suffered severe spinal injuries and was left with paralysed arms and legs.

Judge Black heard that he failed to take a sharp right bend in the road between Kingsbridge and Loddiswell, Devon. His machine left the road and plunged down a steep incline.

The authority denied liability, but the judge barred it from fighting the claim on liability because of an "inexcusable" failure to comply with court orders to produce documents to Mr Lambert's lawyers on issues relevant to the case.

The judge imposed a "stay" on damages over £750,000 pending an appeal by the council.

Had the issue of liability been tried, it would have discussed whether there should have been a crash barrier and whether the accident spot was adequately signposted.

The award includes money in compensation for pain and suffering, lost earnings, and the cost of care.

Future conditional for school-work compact

Norma Cohen looks at a marriage of education and industry that needs more time to fulfil its promise

AT FIRST sight, Woodside School, on the fringes of Canning Town, one of the bleakest housing estates in east London, is an unlikely place for an experiment in improving links between schools and industry.

Only a quarter of its pupils attend the secondary school regularly and about 76 per cent leave at the age of 16. Yet Woodside is among the latest schools to join a compact – a school-industry partnership designed to raise academic achievement and provide training opportunities for young people who see nothing but unskilled, low-paid work in their future.

The Newham Compact (the school is in the London Borough of Newham) is one of 48 operating nationwide, funded partly through the Training Agency, partly by local education authorities and partly by industry.

Under the compact, pupils are given work experience in a local company, with the prospect of jobs with training on leaving school for pupils who stick with the programme. Newham schools are already seeing the benefits of a programme that is barely two years old, with some reporting dramatic improvements in pupil attendance rates.

Based on a project originated in the US city of Boston, the concept was taken up by Mr Norman Fowler, the former Employment Secretary, as the answer to chronic underemployment in inner cities.

It has been hailed by politicians on both left and right as a mechanism for raising educational attainment and improving training for inner city youth. Industry and schools have enthusiastically embraced the concept and Britain's compact programme has been characterised by much goodwill on both sides.

Whether goodwill and enthusiasm will be sufficient to make the marriage work remains to be seen. The Boston experiment stumbled last year when employers refused to pursue the programme unless improvements were made to the education offered. The compact has yet to publish any statistics to demonstrate the success of its pupils.

That lesson has not been lost on administrators of British compacts. Mr Leslie Warburton, director of the East London Compact – which covers the boroughs of Tower Hamlets and Hackney – says the programme must show employers it can deliver a sufficiently skilled workforce in order to maintain their loyalty.

The Training Agency gives each compact £100,000 a year for four years, after which each programme must find its funding privately. Moreover, cuts in other Training Agency-funded projects have injected further anxieties into compact directors.

Mr Warburton, whose programme was opened by Prince Charles in 1987 as the nation's first compact, said it was still not clear that it was delivering what industry wanted.

"The bulk of employers feel it is a worthwhile initiative," said Mr Warburton. "But we must be able to demonstrate that we can deliver qualified people into jobs. If we can't deliver, employers will start to lose patience."

The East London Compact has begun to see the positive effects of the programme. The proportion of pupils staying on at school after 16 has risen to 82 per cent from 59 per cent, while attendance at schools participating in the compact has risen by 7 or 8 per cent, but overall punctuality has fallen by a similar level.

In the Hull Compact, operating since October 1988, only 42 per cent of the first group of pupils who took part were able to meet all goals. The goals relate to attendance and punctuality, literacy and numeracy skills and work experience, among other things.

Mr Barry Salt, Hull's Compact director, said it is his "gut" feeling that the programme is raising educational standards and aspirations. But most of the nation's compacts have not been operating long enough for their success to be judged.

Mr Warburton said staying-on rates alone were not a satisfactory measure of success – the further education must genuinely raise skill levels. "I suspect that a lot of young people view [further education] as a kind of parking lot," Mr Warburton said, explaining that it was sometimes seen as preferable to leaving school to go into a Youth Training Scheme or low-paid work.

The first of the pupils who were encouraged by the compacts to stay longer at school are now leaving. Mr Warburton said it was that group that would provide the litmus test of the programme's success. Only 11 of about 350 who left school in 1989 were placed in jobs with training. Most went on to further study.

Meanwhile, Compact co-ordinators around the country say local employers are generally enthusiastic about the project. Ms Marilyn Brass, director of the Newham Compact, said employers would step into the breach if government funding stopped.

Many, she said, would do so out of self-interest – a motivation she welcomed. A survey of the 85 employers in her district showed that about two thirds joined compact in the hope of improving their recruitment levels.

Mrs Ruth Smith, assistant director of the Liverpool Compact, said most of the 71 participating businesses have been prompted by concern that, because of the "demographic time bomb" – the imminent reduction in the number of young people entering the labour market – they would be unable to recruit qualified young people.

Also the completion of the European internal market after 1992 had made local employers much more aware of how little training they provided relative to their Continental counterparts.

Mr George Kessler, operations director of Kessler International, Europe's largest manufacturer of point-of-sale displays, and an active participant in Newham's compact, said his company, which employs 250 people and is based in Newham, became involved because, among other things, it was dissatisfied with the skill levels of local school leavers.

In spite of their good intentions, it is not clear that employers are willing to hire all comers – even those who meet the requirements laid out under the compact goals. Mr Salt said it had proved easier to pursuade employers to make cash or material contributions to schools than to guarantee jobs with training for compact pupils.

Ms Brass said there was also the delicate subject of what she called presentability. "Knowing what to say and how to say it is something we have to teach our pupils," she said. And Mrs Sheila O'Keefe, compact co-ordinator at Woodside School, conceded that the broad east London accents of some Newham compact pupils might dissuade employers from hiring them.

Tony Andrews

An experiment yet to prove itself: students Nicola Gittins (left) and Elaine Venton in their science class at Woodside School

Redesign for basic skills tests for seven-year-olds

BASIC SKILLS tests for seven-year-olds in England and Wales are to be redesigned so that teachers will be able to administer them in roughly half the time originally planned, writes Norma Cohen, Education Correspondent.

The School Examinations and Assessment Council (Seac) said yesterday that it would rewrite specifications for standard assessment tests in English, maths and science by October.

Tests prepared by three private consortia in accordance with Seac's original specifications proved too time-consuming for teachers to administer properly. The new tests will be designed to be given to all pupils in a class over a three-week period, with no more than half of each school day devoted to testing.

The original tests, prepared at a cost of £6.2m, took three to five weeks to administer and accounted for the entire school day. They were tried out at 640 primary schools and administered to roughly 2 per cent of seven-year-olds in England and Wales. They were roundly criticised by teachers and school heads who asked that they be sharply pared down.

The tests are intended to be administered to all seven-year-olds in the first half of the summer term 1991, although they will not become statutory until the following year.

City college plan approved

PLANS TO open a City Technology College in Telford have been approved by the Government in spite of objections by the local education authority and politicians, writes Norma Cohen.

The £10.2m institution is the second announced this week by Mr John MacGregor, Education Secretary, and will bring the number in operation to 13 by September 1991.

Mr MacGregor has been criticised by his party's right wing for being slow in setting up the high-technology schools.

The Government has been providing 80 per cent of capital, although the original intention was for substantial funding from private industry.

EMPLOYMENT

Ford severs links with employee vetting agency

By Michael Smith, Labour Correspondent

FORD MOTOR has ended its association with the Economic League, the controversial organisation used by employers to vet prospective workers.

The move comes a month after the league's activities were strongly condemned in the House of Commons.

Mr John Hougham, Ford personnel director, said the company no longer needed to rely on the services of an external organisation.

An improvement in co-operation with the unions had led the company to believe it could more confidently handle any difficulties that might arise in its plants, said Mr Hougham.

The Economic League, formed in 1919, claims to have 2,000 members and a list of 10,000 workers' names. Ford's withdrawal of membership is a blow to its credibility at a time when it faces pressure from members of parliament to publish its records on individuals.

At a hearing last month before the House of Commons select committee on employment, Ms Emma Nicholson, the Conservative MP for Devon West and Torridge, said she had grave doubts that the league was competent to handle the data it had assembled on individuals. Unless vetting was done scrupulously, those undertaking it were most dangerous, she said.

The league was not available for comment yesterday but Mr Stan Hardy, director general, said recently that employers needed access to an information service "which can help them identify people who, by their membership or support of revolutionary bodies, can be expected to pose a threat to good relations in the company."

Ford has been using the league's service since the 1960s. Mr John Davies, secretary of the Ford conveners' committee, said trade unionists applying for jobs at Ford and elsewhere had for years been the victims of misleading and inaccurate information supplied by the league.

Mr Jimmy Airlie, lead negotiator for the AEU engineering union at Ford, said yesterday that the company's decision was a victory for decency and democracy.

"Ford's decision should encourage other firms to pull the plug on the Economic League and hopefully put them out of business," he said.

Unofficial strike plan by contract oil workers

By Diane Summers, Labour Staff

CONTRACT workers in the North Sea oilfields are to start unofficial strike action in pursuit of their claim for an agreement on pay and conditions.

Mr Ronald MacDonald of the Offshore Industry Liaison Committee, representing North Sea unions, said there would be "guerilla-type action" by over 5,000 contract workers although no date has yet been set for the action to start.

Unions are currently balloting on whether to begin an official all-out strike. The ballot results will not be known for another four to seven weeks, said Mr MacDonald.

The decision to step up the action follows a work to rule which has been in progress for over two months. Employers say the effect of the action so far has been limited.

About 30,000 people work offshore of which an estimated 70 per cent are on contract. BP Exploration and Shell/Esso platform contract workers were awarded pay increases of 11.7 per cent and improved conditions in March following industrial unrest that started last year.

Unions with offshore members have sought, but failed to achieve, joint recognition by all the North Sea contracting companies and an annual review of pay and conditions.

Resentment stems from the reduction in contract workers' pay and conditions that were made in the wake of the downturn in North Sea trading.

Labour criticises safety plan

By Diane Summers, Labour Staff

THE HEALTH and Safety Executive has been accused of not addressing the difficulties of expanding workloads, static staffing levels and inexperienced staff.

The criticism comes in advance of the launch on Monday by Mr Michael Howard, Employment Secretary, of the annual plan of HSE work.

Mr Tony Lloyd, Labour health and safety spokesman, said yesterday that the delayed programme was being made public "when Parliament has gone into recess and government ministers do not have to account for their decisions."

He said answers to parliamentary questions had revealed that more than a quarter of factory inspectors were trainees and that about 40 per cent had less than five years experience.

Tony Lloyd: Government cutting grant aid

"It is wrong for the Government to claim that it is meeting the Health and Safety Executive's resourcing needs whilst heaping additional duties on it and at the same time failing to provide the extra finance needed to be able to recruit and retain the staff required," said Mr Lloyd.

He accused the Government of cutting the HSE's grant aid by about £9m over the past year at a time when there were over 500 deaths at work and over 170,000 reported injuries.

Mr John Rimmington, HSE Director General, has argued that Civil Service manpower restrictions in the early 1980s forced the suspension of recruitment but since 1987 the Government has met funding requests.

Injunction lifted against Scargill

THE Irish High Court yesterday suspended an injunction granted to the National Union of Mineworkers last week preventing its president Mr Arthur Scargill and two others from disposing of a £1.35m account in the Irish Intercontinental Bank, Dublin.

This follows proceedings in the High Court in London on Thursday when the NUM agreed to suspend its legal action against Mr Scargill and the Paris-based International Miners' Organisation over money donated by eastern European miners during the 1984-85 pit strike.

Workers win immediate 37-hour week

By Michael Smith, Labour Correspondent

MORE than 300 manual workers at South Wales Switchgear, an engineering plant near Cardiff, have won an immediate two-hour cut in the working week after threatening strike action.

The move to a 37-hour week in one stage is unusual. Most companies are phasing in working time cuts in two or three stages over several years.

Mr Les Griffiths, district secretary for the Confederation of Shipbuilding and Engineering Unions, said the cuts came in eleventh hour talks after workers had voted for a strike.

Since the settlement of strikes involving large companies at the start of this year, few companies have faced stoppages. The unions say most companies threatened with strike ballots have agreed deals for 37 hours or less. They estimate that about 600 factories, employing 300,000 workers, have agreed hours cuts.

The Engineering Employers' Federation says only 233 of the 1,383 pay and conditions it has been informed about this year include hours deals and at least 70 of them are for 37½ hours or more.

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Pricking the ERM bubbles

FOR MUCH of this summer the British Chancellor Mr John Major appeared, in relation to the European Exchange Rate Mechanism (ERM), to be enjoying the fruits of the honeymoon without the trying formality of the nuptials. Earlier this week his admission that Britain was unlikely to meet the Government's target of reducing inflation to 5 per cent by the middle of next year brought a rude return to normality. Yet sterling's fall of two pfennigs against the D-Mark on Wednesday despite another reaffirmation of Britain's commitment to ERM entry is probably better seen as an overdue correction of an overshoot upwards than a reversal of the more fundamental trend. The markets' belief in entry is for the moment unshakeable.

Sterling's earlier strength had been a considerable political bonus for the Government, since it enabled monetary conditions to be tightened without further pain being administered to mortgage borrowers. But along with the relative strength of the currencies of other high-inflation countries such as Italy and Spain it has its worrying aspects.

As the Prime Minister's former economic adviser Sir Alan Walters has somewhat stridently noted, there is a transitional problem for entrants into the ERM if their inflation rates are higher than those of the anchor country, West Germany. In a fixed exchange rate system interest rates in the member countries will tend to converge. Even in the semi-fixed ERM that Sir Alan regards as "half baked" the increasing infrequency of realignments has impressed the people who manage international money. Hence the paradox whereby countries with the worst inflation performance attract huge capital inflows. Their high nominal interest rates no longer presage exchange rate weakness and therefore look cheap within the system.

Members penalised

A problem then arises because the resulting capital inflows force currencies up against their agreed ceilings. Interest rate cuts may then be forced on governments before they are justified by an improved performance on inflation. Meantime older members who pursued sound anti-inflationary policies are penalised, which is why French finance minister Mr Pierre Bérégovoy was this week urging lower interest rates on the strong currency members of the ERM.

The French have successfully used the ERM to bolster their anti-inflationary credentials. Yet they have been rewarded by a singularly unfavourable configuration of exchange rates, in terms of French industry's competitiveness. The franc is weak against the lira and peseta but has appreciated strongly in the course of the year against other European currencies, as well as the dollar and the yen. French manufacturing has thus felt the cold wind. Yet France has little room unilaterally to cut interest rates to counter tight domestic economic conditions, while the franc is relegated to the bottom of the system.

Respective currencies

This is clearly not the outcome that a fixed exchange rate mechanism is supposed to deliver. And Italy, Spain and Britain are experiencing what can only be described as a bubble: a valuation for their respective currencies that bears no relation to the underlying fundamentals. The borrowers in these economies, meantime, continue to pay high nominal rates of interest on the implicit assumption, justified by experience, that devaluation and inflation will save them from paying equally high real rates of interest. Their view cannot be reconciled with that of the foreign exchange markets. So the only question is when and how the bubbles will be pricked.

The extreme example of what can happen was provided by Chile in the 1970s. When the Government adopted a fixed exchange rate policy, domestic banks borrowed from international markets at wildly inflated nominal rates of interest that suddenly turned into real rates when devaluation failed to happen. The banks collapsed, only to be nationalised by the Government.

In Britain disaster would be more likely to befall business borrowers and those with big mortgages. In the worst case the tradeable goods sector would be squeezed by the strength of sterling, while demand in the non-tradeable sector of the economy would continue to boom. International creditors, worried by the size of the resulting current account deficit, would fight shy of sterling, offering the Government a stark choice of swingeing interest rates that would cause widespread bankruptcies and mortgage defaults or a rapid exit from the ERM.

The French escaped the worst of the transitional problem because their highly regulated financial system still had controls on credit and capital inflows at the time. Britain enjoys no such backstop, which is why this dilemma will not be easily resolved.

Andrew Hill on a business approach that has made Hanson both feared and respected

King of bids and break-ups

Since last weekend, the darker nightmares of 1,237 staff at PowerGen's Birmingham headquarters have featured an imposing new bogeyman: it is the morning after a takeover by Britain's most feared industrial conglomerate and James Hanson is shaking hands for the last time with emotional executives of the electricity generating company.

To admirers, Lord Hanson is Britain's bid and break-up artist *sans pareil*. To opponents, he is an asset-stripping tyrant who discards thousands of employees in the wake of the group's successful takeover bids. Either way, he is paid a salary of more than £1.5m a year for his trouble.

When Hanson expressed an interest this week in buying PowerGen, the electricity generator, from the Government, opposition MPs exploded. But what is a Hanson takeover really like and how well-managed are Hanson companies?

Mr Frank Knight, deputy chief executive of United Biscuits, has seen inside a "Hansonised" business. He took charge of Ross Young's after UB bought the chilled and frozen foods group from Hanson in 1988. At that time, the business had been under Hanson's control for about two years following the conglomerate's bitterly fought bid for Imperial Group.

"One might have expected, in the classic Hanson way, that there would have been no media investment and no promotional investment; that factories would have been starved of capital to the point at which efficiency was suffering and general morale was low," says Mr Knight.

But he was surprised to find his expectations confounded. Hanson management had not blighted Ross Young's: "We have seen it at first hand: this operation came fresh from the Hanson camp, and it was a bloody well-run business."

The first man across the threshold of new Hanson subsidiaries is never Lord Hanson. It is more likely to be Mr Tony Alexander, Hanson's chief UK operating officer. Those who have encountered Mr Alexander on the morning after a hostile bid find him thick-skinned, as he has to be, and competent.

Strict capital expenditure guidelines are imposed immediately: requests to spend more than £500 still have to pass through Lord Hanson's office. That has led some critics of the Hanson approach to conclude that the group's subsidiaries are squeezed for cash and deprived of investment. But Mr Martin Taylor, Hanson's vice-chairman and principal spokesman, points out that large projects – an £80m titanium dioxide plant in Western Australia last year, for example – do get the chairman's signature. Such projects are expected to pay back the investment in three to four years.

Hanson's basic acquisition principles have always been simple: enhance shareholder value by investing in mature, asset-backed, cash-generating industries, if necessary selling all or part of the business on after refurbishment.

However, as Hanson has grown bigger, beating the £1bn barrier for pre-tax profits in 1989-90, acquisitions large enough to sustain the momentum of growth have proved more difficult to find. PowerGen, which could be worth between £1bn and £1.5bn, would be a comparatively small purchase for a company with £6.4bn of cash in the bank. So City attention has increasingly focused on the ability of the Hanson team to manage continuing operations. The task of controlling Hanson's wide range of interests – from building materials to Jacuzzi whirlpool baths – would appear to require superhuman management skills.

But the fact is that Britain's best-paid businessman and his deputy Sir Gordon White – now 68 and 67 respectively – do not manage the businesses within the Hanson empire. "They are the ultimate delegators," explains one former Hanson executive.

Mr Jeremy Marshall, former chief executive at BAA and now head of the bank-note printer De La Rue, worked for Hanson from 1971 until 1987, latterly as one of the group's senior operations executives.

"In the 16 years I was at Hanson, James Hanson never once visited any of the operations I was responsible for," he says. "But I believe those businesses are a darned sight better-managed now than they were before Hanson."

The conglomerate was a pioneer of the principle that those involved in the day-to-day management of subsidiaries should not be represented on the group board. Contrary to the popular image that all Hanson bids are followed by a purge, many of those now heading subsidiaries survived the bid. "It isn't a case of buying it, smashing it to smithereens and then starting again," says a former executive.

If Hanson managers prove themselves, lucrative incentive schemes ensure they are well-rewarded. "We try to encourage them to behave like entrepreneurs rather than bureaucrats," says Mr Taylor.

Enthusiasm for Hanson stewardship is not universal. Those US investors who bought 52 per cent of Hanson's Smith Corona typewriter subsidiary when it was floated in New York a year ago have seen the shares slump from $21 to less than $5. Smith Corona blames an unexpected deterioration in sales, but the decline has revived suspicions that Hanson may sometimes sacrifice the long-term future of businesses to short-term goals.

Some former executives at Imperial Group are still sensitive about the takeover and rapid break-up of the business four years ago, and Hanson's paring down of the global operations of the battery manufacturer Berec – now British Ever Ready – after the 1982 bid aroused fierce criticism. "For the objectives that Hanson set itself it was being run well, primarily generating cash, with no great desire to have a market share unless that could be translated into profits," says one former Berec director, eight years on.

Hanson is notoriously reluctant to detail profits of individual subsidiaries. But the dearth of detailed information has not deterred investors. As one analyst puts it: "Lord Hanson has not let us down for the last 25 years and everybody trusts him implicitly."

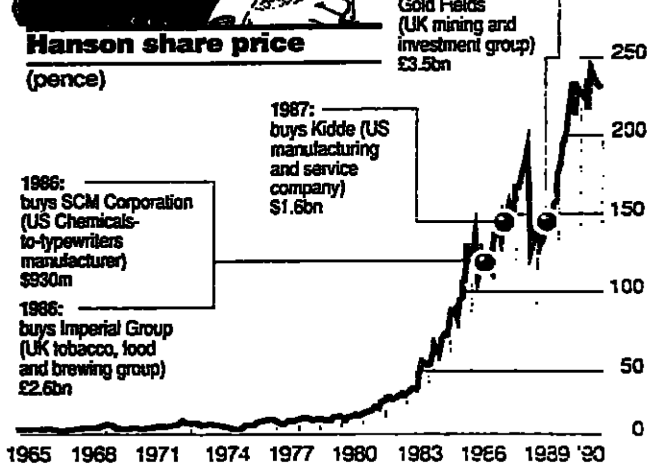
For Hanson shareholders, the benefits of Lord Hanson's creed – employees come third in his list of priorities, behind shareholders and customers – are clear: 26 consecutive years of increased dividends, with the promise of a further 20 per cent rise in the current year.

Indeed, in contrast to the image of a takeover glutton, chewing up and spitting out companies, many Hanson followers believe the group performs a service. "I don't think this company would have survived had Hanson not taken over," says Mr Alan Swan, now British Ever Ready's company secretary, and a Berec employee since long before the Hanson takeover.

"Hanson is not best-known for the organic growth of companies but for buying groups and selling them on," says De La Rue's Mr Marshall. "But in the process I think he creates a lot more efficiency. It's a reprocessing of some mature UK industries."

Lord Hanson would never be so philosophical, but the reaction to his interest in PowerGen suggests that he and his conglomerate do have a useful function in helping to keep British industry on its toes. It is a threat which many observers fear hinders the development of British industry, but as one analyst puts it, "The fact that he is there and that he is that big means that no one is untouchable."

It seems that if Lord Hanson did not exist – as the epitome of takeover discipline, as an efficient manager of mature British industries, or as arch-capitalist target for the Labour Party's wrath – somebody would have to invent him.



To admirers, Lord Hanson is Britain's takeover artist sans pareil. **To opponents, he is an asset-stripping tyrant**

Private suppliers in deep water

Even a sudden downpour would not ease the crisis in some areas, says **William Hall**

"That dripping tap that you have been meaning to fix for so long must be mended within the next couple of days." Mr Denis Howell on taking up his job as Minister for Drought, August 1976.

It is the end of July, and the temperature in the boardrooms of Britain's newly privatised water companies is rising. Already more than 6m people are subject to hosepipe bans, the media has been starting to talk about the Great Drought of 1990, and the Scilly Isles tourist office is urging visitors: "Save water – shower with a friend, whilst drinking your whisky neat."

Though the past 15 days have seen hardly a drop of rain, and the London Weather Centre this week declared an absolute drought, the men at the Met Office say this is nowhere near as bad as it sounds. But the inspectors of the newly streamlined water companies will still be out on hosepipe ban patrol this weekend, with powers to fine miscreants £400 a time.

All it needed was for Mr Colin Moynihan to have been moved from sport to drought – instead of energy – in this week's ministerial reshuffle, and the stage would have been set for a rerun of the Great Drought of 1976 scare. That was the occasion when a frightened government urged households to halve their water consumption. Mr Denis Howell, the Labour government's sports minister, was put in charge of the drought on August 24, and within a month was redundant because rainfall in September and October was twice as heavy as normal.

In many parts of England the weather over the past few weeks has been hotter and drier than in July 1976. In parts of Yorkshire, Humberside, Lincolnshire and Kent rainfall has been below average for all but four or five of the past 26 months and the Institute of Hydrology, part of the government-funded Natural Environment Research Council, says the current drought is more severe in these areas than in 1976. It cautions that any general com parison with 1976 is inappropriate. Then, some areas of central and southern England registered less than half the average rainfall over a 16-month period and the summer of 1976 was the driest in England and Wales for more than 220 years. By contrast last winter was the second wettest this century and the spring was the driest since 1893.

In 1976 the flow of the Thames over Teddington weir – the tidal limit – effectively ceased towards the end of the summer. Current river flows are well below average in all regions, but in most of lowland England they are still two or three times those recorded in 1976 and significantly above historical drought minimum. However, the institute is less happy about the situation in eastern England. Rivers such as the Yorkshire and Derbyshire Derwents, and the Stour in Kent, are flowing at, or below, the corresponding 1976 flow in the early summer. The longer-term river flows in Lincolnshire, Cambridgeshire and Norfolk are among the lowest on record.

Against this background, the water companies are facing their toughest public relations battle since being privatised. Mr Roy Watts, chairman of Thames Water which last year had to cut off supplies to half a million customers in south-east London for several days, is anxious not to make the same mistake again. "Our duty is to supply water, not to think of reasons for turning it off," says Mr Watts.

A hosepipe ban went into effect last night in the Cotswolds, where demand has been running 60 per cent above normal, and where the underground reservoirs have had significant rainfall since February. However, London is keeping up with demand and Mr Watts says there is no comparison with 1976 when Thames's 7m customers were being urged to participate in a "switch-off day" to avoid unnecessary rationing.

Mr Alan Smith, managing director of Anglian Water, where rainfall, even in normal times, is only half the national average, is putting on an equally brave face. Along with Southern Water, Anglian is unusual in that more than half its water comes from underground reservoirs, or aquifers. Wet winters are far more important for recharging the aquifers than wet summers, when evaporation is high.

So far Anglian has not yet had to impose a hosepipe ban. But Mr Smith admits that last weekend was "bloody grim." In his home town of Bury St Edmonds, the service reservoir which is topped up every night was down to 3 per cent of its capacity as people poured water on their gardens.

It would cost £200m-plus to build another reservoir for the occasional time when demand outstrips supply. Since these peaks in demand tend to be short, "we pump like hell for a few days," until demand returns to normal, says Mr Smith.

However, the big unknown for the water companies is whether the recent changes in the weather are just part of a periodic blip, or reflect a more fundamental climatic change – a concern that went unmentioned in last year's government prospectuses for water privatisation.

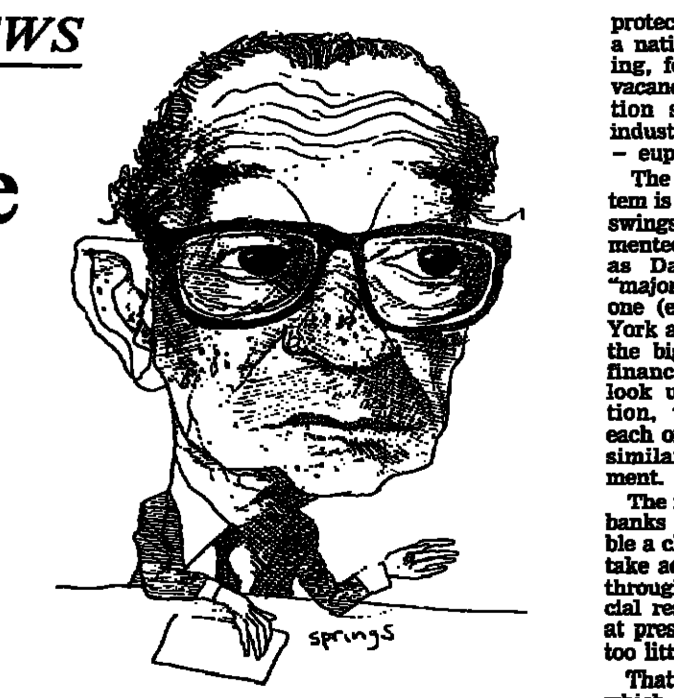
If companies such as Anglian are not to face a long-term water shortage, there needs to be a reasonable amount of rain over the next few weeks to start recharging their depleted aquifers. "If we had another couple of dry winters and things did not change, then the pattern of life we have established in this country will be called into question," says Mr John Simpson, Anglian's operations director.

MAN IN THE NEWS

Alan Greenspan

Tightrope walker who can move markets

By Anthony Harris



The Federal Reserve chairman, Mr Alan Greenspan, sometimes calls to mind mystic phrases about the unmoved mover of the universe; or perhaps the *true story of King Canute*, who took his courtiers to the seashore simply to convince them that his powers were limited.

His policies are almost unchanging, his view of the future tentative and cautiously expressed. His lucid evasions earned a tribute last week from Congressman Charles Schumer, an expert in financial matters: "You're getting very, very good at the art of walking all those little tightropes." Yet when he speaks, the financial earth quakes a little. He speaks at length in Congress every six months under the Humphrey-Hawkins Act. When this appearance coincides, as in the past fortnight, with a policy change, he is big news.

Greenspan is a quiet man, who runs a quiet Fed. Small, friendly and open, at intimate ease with politicians, an endless explainer, a bachelor who greatly enjoys life, he is in almost comic contrast to his predecessor. Mr Paul Volcker is towering, austere, a devoted husband and intensely private; his actions at the Fed were dramatic, his words deliberately Delphic, his encounters with Congress showed him struggling to suffer fools with even the barest politeness. They will both, surely, go down in the records as powerful and remarkable chairmen.

Greenspan is facing his most difficult challenge. The Wall Street crash of 1987 was more dramatic, but there are textbooks on market crises, and he knows all the texts. A relative newcomer, he handled it faultlessly, and will now become part of the texts himself.

What confronts him is a private sector deflation, one of the great mood-swings which afflict the American banking community, now beset with caution just this side of panic. His task is to balance this with some monetary relaxation. It must be enough to prevent sobering-up turning to manic depression, yet little enough to avoid alarming monetarists and inflation-worriers. This is the big tightrope.

He explains his actions sometimes in terms of the monetary aggregates, now undershooting, which must be kept on a "glide path"; sometimes in terms of the real economy, which is, he concedes, very soft, saved from recession only by export growth and tight inventory control. He will cite the yield curve, or the trend of commodity prices or of employment as evidence of the impact of monetary policy.

Every one of these has been selected by one zealot or another – some on his own board – as *the* appropriate target for monetary policy. Yet for every zealot there is a sceptical monetarist, who denounces any attention to matters other than the aggregates as dangerous "fine-tuning". Greenspan knows all the theories, but himself remains a pragmatist.

He collects indicators like others collect stamps, knowing which real estate agent gives the best account of the market, which university has the most reliable models, which price movement is the most telling mood gauge at any given moment. His most characteristic pose, colleagues say, is hunched over his screen, watching the markets for the response to the day's moves in credit or foreign currency.

Policy in this style is a learning process, and he is obviously happy in his work – hoping, to be sure, to go on getting it right, but also an inquiring scientist who has been given the world as a laboratory for the most delicate experiments. This would be a dangerous game if the Fed were as all-powerful as its admirers and its critics sometimes suppose, but that is not how Greenspan sees it.

The Fed, as he has often explained, can set short-term interest rates, and influence the growth of the monetary aggregates (while monitoring their distortions most carefully). It may or may not be able to smooth the currency markets without abandoning monetary control – the jury is still out after three years. It cannot set long-term rates, or influence the real cost of capital or the real exchange rate. Its policy decisions are often simply a matter of how far to follow the markets.

That is not the only limitation. In matters of monetary policy, the Fed has true independence (though only, in the last resort, at the will of Congress); but this can also be a handicap. It means that the Fed is "out of the loop" in making Administration policy, and is reduced to mopping up the result of errors which an apparently servile central bank might have prevented with early advice.

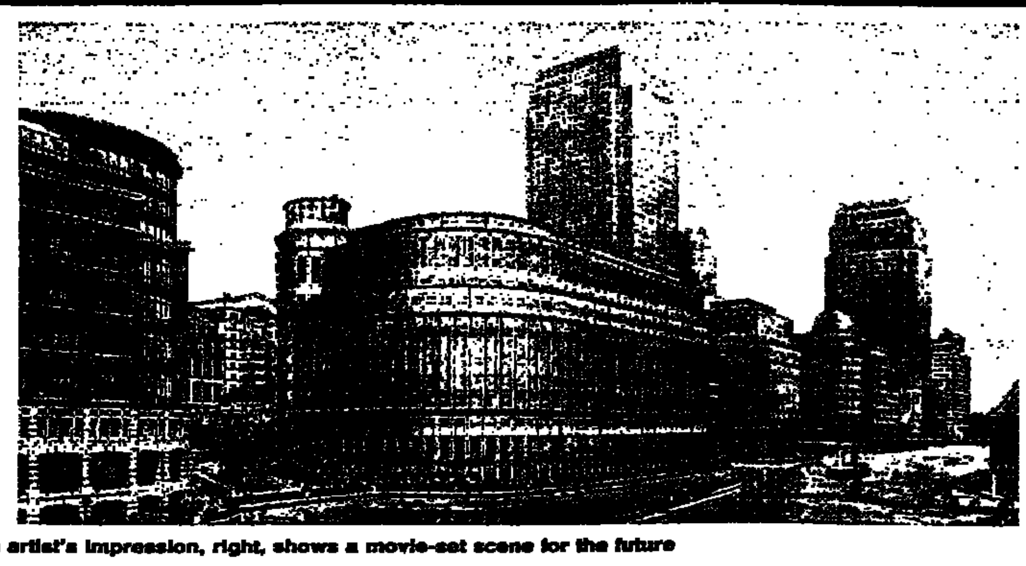
This is very much to the point at the moment. Much of the rash credit creation of the 1980s, which Greenspan has termed "frenetic", was the predictable result of the two Reagan tax reforms: that of 1981 made property development seem virtually foolproof, that of 1986 removed all the 1981 protections. The consequence: a national wave of over-building, followed by double-digit vacancy rates and a construction slump; in the banking industry, the Trump syndrome – euphoria followed by panic.

The American banking system is especially prone to these swings because it is so fragmented. A regional centre such as Dallas may support 10 "major" banks, and no single one (except, perhaps, in New York and Los Angeles) can see the big picture. Each happily finances projects which may look uniquely good in isolation, without knowing that each of its rivals has backed a similarly "unique" development.

The regional Federal Reserve banks might be able to assemble a clearer picture, and could take action to head off trouble through such measures as special reserve requirements; but at present their information is too little and too late.

That is the sort of problem which will be receiving urgent attention from the Greenspan Fed. It will not be tackled, though, by barking orders – which would probably simply offend the independent-minded regional Fed presidents. Greenspan's is a collegial Fed, in which he gets consensus (sometimes too slowly for his few critics) by the Socratic method, with sharp but always courteous questions.

This does not always suit the White House, which has a pressing political timetable, and can be impatient with the real-world limitations under which the Fed must work: hence the rumours – endemic under every chairman – of pressures and tensions, and suggestions that he may not be invited a second time when his term expires in 1991. But while Greenspan has some critics, he has no known enemies and many friends. He is a reassuring presence, yet he can move markets with a phrase, or a quarter-point change in interest rates. It will be surprising if he does not prove a long-term fixture.



The half-finished buildings of Canary Wharf rear up all over its London Docklands' site, left, but an artist's impression, right, shows a movie-set scene for the future

Unenthusiastic rendezvous with the future

David Lascelles goes on a tour of Canary Wharf

"Our pictures really do look like our buildings," exclaimed my guide as we scrambled across Europe's largest office construction site – Canary Wharf in the London Docklands.

It was hard to tell. The bookful of artists' impressions showed colourful scenes of people lunching in waterfront cafés and lounging in leafy parks. But this was all noise and dust. Half-finished buildings reared up all round us, including a giant obelisk-like tower that will shortly become Britain's tallest. A row of gaping holes in the ground is where an avenue of trees will be planted – fully grown – next autumn.

How would I feel if the FT announced tomorrow that it was forsaking the City for this place? On present evidence, I had to reply, *appalled*. Too much of an unknown quantity. It is stuck two and half miles from the City in derelict land. The transport is terrible: in spite of the developers' promises. It had taken me nearly half an hour to reach it from the Bank of England. And it is totally artificial: the ultimate man-made "business environment" where everything apart from a listed warehouse is being brought in from outside.

I have to admit that those were my prejudices. To be fair on Canary Wharf you have to perform a mental leap into the year 1995, for it will only start coming into its own around then, though the first tenants move in next May. Among them are Morgan Stanley, Credit Suisse First Boston, (both of them partners in the project), American Express, Texaco, Ogilvy & Mather and the Daily Telegraph. Are they the lucky ones, or the damned?

A few facts first. Canary Wharf is being developed by Olympia & York, a privately-owned Canadian firm which specialises in giant business centres. But Canary Wharf is its biggest so far. When complete, it will have more than 10m sq ft of office space, equivalent to about a fifth of the total space available in the City of London today. If it succeeds, it will contain 55,000 workers, which in purchasing power terms is equivalent to a city the size of York.

The basic lay-out is along a grand avenue extending up from a giant circus near the river's edge, with several tree-lined squares and waterside walkways. Traffic moves on two levels, the bottom one is underground and leads to parking, the upper one is the street where local traffic and public transport will run.

The office blocks themselves will be grouped round a "retail pavilion" whose star tenant is to be a Marks and Spencer food hall. This will also contain dozens of shops, eating places and services, like printing and repairs. Retailers already signed up include the brewers Fullers and Bass Charrington, Birleys, the sandwich people, Jean Muir, the fashion designer, and Moyses Stevens, the florist.

There will be a multi-screen cinema, an assembly room with a "livery hall" atmosphere, a health club and possibly an art gallery. To add a bit of cultural colour there is a part called Port East designed round the old warehouse which will have a "Covent Garden" atmosphere with gift shops and designer's studios and so on. Among those advising on design are Sir Roy Strong, now a consultant on parks and open spaces, and Sir Terence Conran, who now has his own commercial design studio.

So what would make me want to work at Canary Wharf?

Well, one thing would be the quality of the accommodation. The offices will be big and spacious, and for those in the tower there will be tremendous views. The technology will be good too – fast lifts, good air conditioning – which it will have to be, considering that there will be 6,000 people in the tower alone.

I also saw enough detail to be convinced that the place will have a certain style. O&Y certainly has a good record in this department. Its development beside Wall Street, the World Financial Centre, has been widely praised for the attractiveness of its communal spaces, such as the glass-domed winter garden.

I was also impressed by the thought that has gone into the street design. This may seem rather mundane, but a significant major failing of many modern office developments is that they give you little sense of orientation, particularly when they remove the traffic. Try and find your way in the Broadgate office complex over Liverpool Street station – it is not easy.

O&Y has gone back to the view that people like the feel of a busy street. So all the buildings give on to streets and squares, and you can draw up in front of all of them by car. There are generous pavements, with arcades and shops lining the main thoroughfares. All buildings have to be faced with natural materials up to a certain height. Prince Charles would not be displeased by these features.

I cannot say that I was overwhelmed by the design of the buildings: they seemed rather monotonous. If my guide was right about the accuracy of the artists' impressions, the whole lay-out could end up looking like a giant Fritz Lang movie set.

But that may be a matter of personal taste. Since O&Y has made a point of getting a different architect for each building, there is, at least, some variety. If it works, Canary Wharf should be the antithesis of that City planning disaster, London Wall.

One of O&Y's big selling points is that Canary Wharf will combine the best of the City and the West End – business, entertainment and shopping all rolled into one. Shops and services will be encouraged to stay open late and at weekends not just to serve those who work there but to attract crowds from elsewhere. I have my doubts. The British are not particularly fond of hanging about after work, and it is a long trek for outsiders. Canary Wharf out of hours could be a lonely place.

Which brings me to some reasons why I would not want to work there.

Transport is unquestionably a problem. It is true that there will be improvements over time – the tinpot Docklands Light Railway will be expanded, new roads and a Tube link are being built. But this does not get round the fact that the place is out on a limb unless you live in East London.

O&Y is acutely aware of this and has gone to some lengths to ensure that Canary Wharf does not just become a backwater where companies accommodate armies of clerical workers while their top executives stay put in Central London. Tenants are required to locate all levels of staff there, so the business community will have its share of "important" people.

Again, I have my doubts. The financial services industry, which accounts for the bulk of the tenants, is gregarious and I cannot see its members abandoning the City easily. The refusal of Mr Jacques Attali to locate his European Bank for Reconstruction and Development in Docklands is indicative of prevailing attitudes. It is interesting, though, that the two largest Canary Wharf tenants, Morgan Stanley and CSFB, (apart from being foreign) are both firms which had moved their operations out of the City to the West End.

But so far, no important British blue chip name or big City institution has opted to move – not that it necessarily matters in a cosmopolitan city such as London. But O&Y would dearly like to persuade a pillar of the City to move in, and prevent it becoming a foreign-dominated enclave. O&Y says it is confident that by the time it is finished, Canary Wharf will be 60 per cent occupied by British companies. The other point O&Y makes is that, for all its transport weaknesses, Docklands is just about the only place in the whole of London where new transport is actually being built. And where new transport goes, development always follows. It is an argument that does dispel some of the doubt about the area's isolation.

Factors that will be weighed up when decisions about moving to Canary Wharf are made include the cost (at least a third cheaper than the City), and the benefits of pulling operations together. For American Express, which is placing its European headquarters in a 10-storey marble-clad building overlooking Cabot Square, it will be the first time all its London staff are under one roof.

My tour was conducted on a brilliant sunny day, and the thought of leafy parks and waterfront pubs was quite attractive. But how would all that seem in the depths of winter?

Having seen it all, I would withdraw the word appalled, and replace it with something milder: unenthusiastic. I have little doubt that Canary Wharf will succeed: it has built up an impressive momentum in the past few months. But I am not going to try to persuade the FT to move. I still prefer the City where nobody is more than 15 minutes' walk away. I could find myself envying the Canary Wharfers their airy offices and convenient shopping. I might even be jealous if the artists' impressions are right. But I can live with that.

A rule change would make tennis more exciting, says **John Barrett**

Chance to boost the net effect

Should the rules of lawn tennis, at least as played on fast surfaces like Wimbledon's grass, be altered to make men's singles less boring? This was the question asked by many spectators after this year's Wimbledon tournament, which showed once again that the better players are simply too good at hitting early winners. Although the men's final between Stefan Edberg and Boris Becker was an exciting battle of wills between two expert exponents of the serve-and-volley game, it was hardly a great spectacle. In five sets only a handful of rallies reached five strokes. Most were two or three – serve and return, or serve, return and volley.

In contrast, many of the women's matches were thrilling affairs with enough rallies to sustain the excitement. No one who saw the climax of Zina Garrison's courageous win against Monica Seles will ever forget it or, for that matter, her equally impressive victory over the reigning champion Steffi Graf.

Women do not possess the strength to smite the ball as hard as men. Even with the new wide-bodied graphite rackets they do not hit the same number of unreturnable serves. However, by taking the ball on the rise and timing it well women can generate amazing pace off the ground, as Graf has shown us with her forehand and Seles with her two double-handed groundstrokes. The new technology has added a fresh new dimension to the women's game, especially on slow clay courts.

Hence the dilemma. If you try to frame modifications to the rules of tennis that would curb the power of the men, you are in danger of harming the women's game. Furthermore, anything that makes the game more difficult to play would hardly be in the interests of the millions of amateur players around the world who already find it difficult enough. It would, of course, be possible to have one set of rules for amateurs and one for the professionals but that is undesirable.

Experiments that have already been tried include having a line drawn one foot behind the baseline from which the service is delivered. This is the solution advocated by the oldest living Wimbledon men's champion, Jean Borotra. Not only is it more difficult to serve an ace, it also takes net-rushers a fraction of a second longer to reach a good volleying position.

Another proposal is to move the service line one foot nearer the net. This certainly makes the serve more difficult but does nothing to dissuade the net-rusher. And think of the complication that would result. Every court in the world would have to be re-marked.

It would be much simpler to raise the height of the net from 3' to 3'2" or 3'3" in the centre. That sort of change could easily be applied universally – though it would also indirectly help the serve-volleyer by making it more difficult to hit low returns of serve and crosscourt passing shots.

Perhaps for the men at Wimbledon we should introduce the old "three bounce rule" that the professionals once used to prolong the rallies when they played on the super-fast tarpaulin courts in America.

Under this system neither player is allowed to volley until the ball has bounced three times. Thus, the server must wait for the return before he can approach the net and the receiver is prevented from chipping and charging. This at least would guarantee some rallies.

We could, of course, decree that all tennis rackets must be made of wood – as they were for more than 100 years. It is probably too late to impose so revolutionary a solution but I am confident it would have the desired result. It was much more difficult to play the game with wooden rackets. They did not project the ball as fast off the face as today's graphite frames and, accordingly, set a premium upon skill and touch.

If we did have the courage to take some bold and fundamental action we could look forward once more not only to some rallies but also to strategic planning and tactical innovation.

LETTERS

PowerGen and the private investor

From Mr Richard Davies.

Sir, I am surprised that the Government is considering a "trade sale" of PowerGen in preference to flotation next spring because of worries that power generation is a risky business that private investors would find unpalatable.

It is true that National Power and PowerGen cannot rely on the backstop of steady earnings from monopoly profits wrought from network ownership, like British Telecom, British Gas or even the 12 electricity distribution companies.

But power generation will effectively remain a duopoly in England and Wales for many years yet. That duopoly will remain so long as the commercial trading rules in the new electricity pool are largely written by the big two producers, who dominate the executive committee of the pool that makes the key decisions about who gets in to the market and how much they get paid. Few independent generators will have the stomach to promote their plans, once they realise the true nature of the market that they would be selling into.

So long as the Department of Energy and the electricity regulator, Professor Littlechild, put a higher priority on selling the industry before the next election than on promoting competition, investors in PowerGen will have little to fear. After all, the best hope for early development of competition – power projects funded by the 12 distribution companies – has been dimmed by Mr Wakeham's insistence on putting high levels of gearing on their balance sheets and his Government's policy that the industry should not reintegrate vertically.

Given that it seems unlikely that more than a handful of independent power projects will go ahead in the next decade, I would be first in the queue to buy shares in PowerGen plc were I to be given the chance.

Richard Davies,
5 Bramber Court,
Sterling Place,
Brentford, Middlesex

Directions

From Mr P.J. Pace-O'Shea.

Sir, Mr Reich (Letters, July 21) writes of his pleasure in seeing a prospectus giving the home addresses of at least some of the directors.

In this connection, on querying the legality of the practice in prospectuses of giving the office address of directors, the Registrar informed me in June 1986 that residential addresses are not specifically required to be given under the Companies Acts and that it is safe to assume that the addresses given in prospectuses are those at which directors can reached.

However, I do not think the Register of Directors would be correct in showing a director's office address in substitution for his/her residential address and I do not think that the address in the prospectus should be different.

P.J. Pace-O'Shea,
45 Fellows Road, NW3

Labour and pensions trustees

From Mr Roger Self.

Sir, Barry Riley writes: "Effectively, listed British companies own about 25 per cent of each other" ("When pension funds run out of control," July 21). The use of the word "effectively" means he is probably right but, in a legal sense, surely the trustees of occupational pension schemes own the funds, held in trust for the members and beneficiaries. Of course, ownership and control are different things and trustees' investment decisions are heavily circumscribed.

One wonders if the Government's ambivalence towards the large self-administered pension schemes might not be connected to the fear that a Labour Government would give pension fund members the right to nominate a majority of the trustees. Labour might also give trustees more latitude to avoid short-termist investment decisions and take more control of 32 per cent of the aggregated shares of UK listed companies.

Roger Self,
65 Bryan Avenue, NW10

From Mr John Byron.

Sir, Mr Riley, when pointing out that mathematics ensured that only 50 per cent of pension fund managers could be expected to outperform markets, could have gone on to ask what would happen if each year short-termist trustees all moved their funds en bloc from bottom quartile managers to top quartile managers.

In no time we would be down to three managers, all of them index-tracking their way out of trouble. Just think of the costs that would save.

John Byron,
Forest Way,
Groombridge,
Tunbridge Wells, Kent

Berlin is and should be the capital of Germany

From Mr Peter Thompson.

Sir, Berlin is the capital of Germany and not the centre from which central Europe's turbulent history emanates, as Hartmut Leithe (Letters, July 26) implies.

It would be an outrageous snub to the 17m East Germans if Bonn and not East Berlin's beautiful old centre were chosen as the heart of the German nation. Bonn is a futile deception – a sign of a people who refuse to come to terms with their identity as central Europeans. Bonn has been a symbol of an artificial West German state which will disappear as unceremoniously as the ill-fated and reviled German Democratic Republic by the end of this year.

Hartmut Leithe may feel that the division of Berlin made the city "outstanding" – but the awesome cruelty endured by Berliners during the war, blockade and walled isolation can only lead to a quite remarkable rebirth as a world city more important than London, Paris or New York.

Berliners now stand on the threshold of some of the most exciting years the city will ever see as it recaptures its 1930s glory and expands outwards on a rapid and quite remarkable scale.

It is the media, entertainment industry, business community, tourist organisations and most of all the people of Berlin who will make the city the capital if the Bonn Government ignores the massive support Berlin has had as the future capital in recent opinion polls.

Peter Thompson,
Flat 12,
215/217 Bedford Hill, SW12

CGT on the withdrawal of housing equity

From Mr John Muellbauer.

Sir, I apologise to Peter Spencer (Letters, July 16) if my elucidation (Letters, July 11) of Anatole Kaletsky's proposal to apply capital gains tax (CGT) to equity withdrawal from housing is identical to his December 1989 scheme. I do seriously believe any CGT system suffers serious disadvantages relative to a property tax in discouraging the release of property by those sitting on substantial capital gains. Some will hold back for the more favourable treatment of such gains under death duties, or await the arrival of some offsetting losses on other assets, or for a more favourable tax regime in the future.

Giles Keating (Letters, July 16) argues that the Spencer-Kaletsky scheme creates a new set of distortions in housing: first-time buyers would have an incentive to borrow as much as possible. However, the great majority have that incentive anyway. The young, seriously rich or those with backing from rich relatives may go for higher loan to value ratios to minimise the tax on later equity withdrawal and hold increased liquidity. These loan to value ratios are, however, limited by lenders. Furthermore, to the extent that CGT on equity withdrawal reduces the anticipated long-term return on such investments, it seems hard to believe that the volume of housing investment by rich first-time buyers would increase.

The more affluent and privileged members of Mrs Thatcher's political constituency are likely to benefit relatively according to the Keating argument and from the price support at the higher end of the market that comes from the incentives not to release property discussed above. These are major selling points for the adoption of the Spencer-Kaletsky scheme by a Conservative government.

However, one may have legitimate doubts (not raised by Keating) about whether a £5,000 annual ceiling on tax free indexed equity withdrawal is tight enough to constrain spending by the mass of home-owners. These hold little in other assets to which CGT would apply. They would have an incentive each year to increase their borrowing by the £5,000 ceiling in case their desire to borrow a larger amount in the future fell foul of CGT. This is an argument for reducing the annual tax free ceiling.

Keating instead argues, not very relevantly, that a £5,000 ceiling would be too low – for straightforward CGT as proposed by Mervyn King. This is precisely where the Spencer-Kaletsky proposal wins. It recognises that increased mortgage borrowing is just as much a portfolio transaction as is the sale or purchase of a house. Financial liberalisation has made such transactions easy, cheap and more frequent than before 1981.

Keating rightly argues against singling out "loans secured on housing rather than other borrowing." Logic suggests extending the scheme to all loans in which the lender has a first charge on an asset offered as collateral.

In my recent Institute for Public Policy Research (IPPR) paper, The Great British Housing Disaster and Economic Policy, I reject Keating's claim "that housing has been a relatively innocent transmission mechanism for the effects of macroeconomic policy mistakes." A key UK problem is that monetary policy which is tight enough to keep the consumer in check devastates the supply side of the economy. Furthermore, he neglects the microeconomic critique of current distortions in the UK housing environment.

I have much sympathy with Eileen Heslin's arguments (Letters, July 16) – see the proposal to limit mortgage interest tax relief to 10 years in my IPPR report. In the end, the lack of a well-functioning property tax is probably an even more serious distortion than mortgage interest tax relief. Both need to be addressed.

John Muellbauer,
Nuffield College, Oxford

From Mr Peter Spencer.

Sir, Mr Keating (Letters, July 16) reveals some of the practical problems involved in applying CGT to housing, but these obstacles are not insurmountable.

In order to to avoid an incentive for high borrowing by first-time buyers, my proposal would allow homeowners to withdraw their initial stake without attracting a tax liability. Such injections of equity would be added to the initial mortgage when calculating the equity withdrawal. As my original paper showed, this actually simplifies the formula for tax liability, since it means that the real withdrawal equals the real capital gain less any net investment in new property. I would agree that home-owners could in principle side-step these rules by taking out unsecured loan facilities, but in practice these tend to be smaller and much more expensive than housing loans.

I share Keating's concern about the effect of the £5,000 CGT threshold, but believe that this simply illustrates the anomalous nature of this exemption. Why is it for example, even after Mr Lawson's 1988 reform, that there is an exemption rule for capital gains but not investment income? I proposed a simple device for removing this discrimination (Letters, February 7 1988). Contrary to Keating's suggestion, the tax system has seriously complicated the task of macroeconomic management, particularly through its effect upon the housing market. If we are now to shoehorn sterling successfully into the Exchange Rate Mechanism (ERM) of the European Monetary System, it will be essential to do something about these distortions.

Peter Spencer,
Shearson Lehman Hutton
Securities,
1 Broadgate, EC2

From Mr Graeme Anderson.

Sir, Your editorial comment ("Housing and the ERM," July 19) quotes the Central Statistics Office as valuing the stock of owner-occupied housing at £964bn. I believe this figure is too high. If one takes the number of owner-occupied dwellings from housing construction statistics and multiplies this by the average house price for 1988 then one gets a figure closer to £738bn. This method is not perfect, of course, but the £964bn equates exactly to the Central Statistics Office's figure for the value of residential buildings in 1988. The biggest difference between this and my figure is the value of privately rented dwellings.

One way of looking at potential equity withdrawal is the size of the loan to valuation ratio. As people withdraw equity from their homes the other side of this transaction is a rise in the loan to valuation ratio.

Between 1965 and 1973 the average loan to valuation ratio was 0.26 and between 1973 and 1979 this fell to 0.22. Much of the fall occurred as a result in the rise in house prices in 1972 and 1973. In 1974 the loan to valuation ratio reached 0.19. Between 1980 and 1988, despite financial deregulation, the average loan to valuation ratio was 0.26.

One is struck by the consistency of these figures although since 1986 it has been around 0.3. It would be wrong to conclude that equity withdrawal is not the big phenomenon some economists believe it is, although it is unlikely that this figure could go to one and we should not forget servicing costs. Neither should we buy the argument that the potential for equity withdrawal is dependant on house prices traded at the margin. Equity withdrawal is not dependent on physically selling one's house, merely getting a value of it agreed by the potential lender. Trading down is only one way to withdraw equity.

It is clear then that the equity owner-occupiers could get hold of is significant. Economists however have tended to look at the potential effects on consumption, taken fright, and proposed policies to diminish this. Yet we hear so often that a major factor in the decision to purchase a house is that it is an investment. Moreover the asset-pricing nature of housing is such that policies to reduce the present value of future gains will lower house prices now, a thought not relished by those who have just bought.

Given these factors, and despite evidence so far, we should not assume that all equity withdrawn will be spent in some form of consumption. Many indicators, for example demography, suggest that the real returns from housing experienced over the last three decades cannot be sustained and if people desire a good investment they will have to look elsewhere.

It would therefore seem useful to concentrate policy less on housing and even more on productive alternative investments. Policies to utilise equity withdrawal towards manufacturing industry for example would seem a logical start. The change in psychology that has to be achieved is better done via policy carrots than sticks.

Graeme Anderson,
Group Economist,
Britannia Life,
190/198 West George Street,
Glasgow

Building team work

From Mr D.E. Wiseman.

Sir, Andrew Taylor makes some telling points ("Why are British buildings late," July 20), none more so than his comment that the contractual climate discourages teamwork between various trades, professions and contractors.

As consulting engineers entrusted with the design and supervision of complex structural and engineering services on a range of major projects, we too are concerned. We try to persuade our clients and our fellow professionals that teamwork is vital since our ultimate objective is the same, namely, successful completion of the right building at the right price at the right time.

Our company in the US does not have the same problems and in spite of a more aggressive external contractual climate, it does not seem to waste so much valuable time and money negotiating agreements and warranties in isolation which lead to disputes between team members.

Perhaps, it is the tendency to judge all facets of planning, design and construction of buildings on the basis of price alone that has led to more onerous contract conditions. If so, the move back to more negotiated work and joint problem solving must be accelerated.

D.E. Wiseman,
Chairman,
Oscar Faber,
Marlborough House,
Upper Marlborough Road,
St Albans, Hertfordshire

Ulster deaths

From Mr A.J. McEvoy.

Sir, In your report of the deaths of three RUC officers and a nun in a mine attack in Northern Ireland (July 25) an error of fact should be noted.

The sister killed this week was not the first religious to die in the conflict in the past 20 years. In the early 1970s two Belfast priests, Frs Hugh Mullan and Noel Fitzpatrick, died from gunshot wounds when ministering to casualties of armed attacks on their district of Ballymurphy.

I am sure the statement in your columns was an oversight and no reflection on the memory of these two men.

A.J. McEvoy,
Centre Universitaire,
Lausanne, Switzerland

UK COMPANY NEWS

Vishay referral boosts TT's bid for Crystalate

By Jane Fuller

TT GROUP's chances of succeeding in its £35m hostile bid for Crystalate Holdings, the UK electronic components group, were boosted yesterday by the lapsing of its rival's bid after a referral to the Monopolies and Mergers Commission.

Mr Peter Lilley, Secretary of State for Trade and Industry, decided that the bid from Vishay Intertechnology, a US electronics components company, should be examined by the MMC because of possible effects on competition in the UK market for fixed resistors.

Crystalate says it is the UK market leader in these products with 20 to 25 per cent. With Vishay, the combined total would be a maximum of 30 per cent.

Mr Bob Eade, chief executive of Crystalate, said he was surprised at the referral – the board last week recommended acceptance of Vishay's 90p-per-share cash offer. Although Vishay was one of the group's main rivals in Europe, he said other competition included Philips, of the Netherlands, and "a large proportion of imports from the Far East".

TT, the industrial holding group, first made its 7-for-10 all-share offer on March 30. On yesterday's TT closing price of 132p it was worth 92.4p per Crystalate share, which closed down 2p at 86p.

TT has since put up partial and full cash alternatives, the latter worth 85.5p. The next closing date is 1pm on Monday.

Vishay, on the other hand, said it would reinstate its 90p-per-share offer if its bid were cleared by the MMC, which has been asked to report by November 23. It also implied that it would improve it, in line with interest rates, to make up for the delay.

Before the news of the MMC referral came in, TT had raised its holding to 23.6 per cent. After yesterday's announcement, market sources said it had bought a further 4 per cent. The latest figure for acceptances is 2.5 per cent.

Vishay, which has a long-standing trading relationship with Crystalate, had a tiny number of shares prior to its bid.

It had accumulated acceptances for about 6.5 per cent of the equity.

During the bid battle, Crystalate announced a pre-tax loss of £900,000 for the six months to March 31. The decline from a profit of £2.29m was blamed on low levels of demand. Since then it has said that cost-cutting and new orders at higher margins would help to restore profitability.

TT, which is active in glass bottles, packaging, fasteners and building supplies, has said that it specialises in buying companies with quality products but poor performance.

Dalgety disposal sets stage for UK growth

By Clay Harris, Consumer Industries Editor

DALGETY, the food and agribusiness group, took another large step away from its Antipodean heritage yesterday by reducing its stake in Dalgety Farmers, the Australian wool, livestock and farm services company, from 65 per cent to 41 per cent.

The sale to institutional investors led by Australia and New Zealand Banking Group will raise A$39m (£16.8m) for Dalgety, which also will be repaid borrowings worth £53m. It intends to cut the shareholding to less than 25 per cent once negotiations are concluded with other Australian investors.

The disposal reduces Dalgety's gearing to 20 per cent and sets the stage for expansion in the UK and continental Europe through the acquisition of food companies.

But it leaves hanging by a thread the links between the company and Australia, dating from 16-year-old Frederick Dalgety's voyage from Scotland to Sydney in 1833. He and his successors built a pastoral empire which struck back in the 1970s with UK acquisitions capped by the takeover of Spillers, the flour-milling, animal feeds and pet foods group.

Dalgety intends to repatriate a total of £75.4m to the UK, cutting the value of its Australian investments to less than £30m, even before the expected next sale of shares. The retreat from Australia was "inevitably tinged with regret," Mr Maurice Warren, chief executive, said yesterday.

Yesterday's deal is Dalgety's biggest disposal since the £87m sale of Gill & Duffus, its commodities business, last October.

Other disposals may still be on the cards, however. One leading contender is Martin Brower, a US catering services company. But this may not be a propitious time to seek a buyer for Martin Brower.

This factor certainly applies Down Under, where Mr Warren said yesterday: "It is difficult to sell any assets in Australia, or to sell them at a proper price." For this reason, he said, "We would see no reason to rush out of the last 25 per cent, given the sum of money involved."

Dalgety will now treat its Australian investment as an associate rather than a consolidated subsidiary. Mr Warren said this would enhance earnings because of lower tax rates in the UK than in Australia. In 1989, £21m of pre-tax profits from Dalgety Farmers ended up at £8m after tax and minorities. Hit by the weakness of the wool market and the travails of Australian property development, Dalgety Farmers is expected to report lower profits in its latest year. The price paid to Dalgety is believed to reflect an exit multiple of about 15.

Dalgety shares closed 5p higher at 373p.

Uncertain future for Scottish steel plants

By Charles Leadbeater, Industrial Editor

BRITISH STEEL seems set for further controversy over its strategy in Scotland, after Sir Robert Scholey, the chairman, yesterday cast doubt over the prospects for three Scottish plants.

Sir Robert, addressing the annual meeting, said weakening UK demand, combined with rising raw material and energy prices was hitting the company in its weakest product areas, such as seamless tube, which is mainly made in Scotland.

He also revealed that a wide ranging review of the future of its plate mills had found the Dalzell mill in Scotland lagged well behind its competitors.

The meeting was dominated by debate over the company's recent decision to close its hot strip rolling mill at Ravenscraig in Scotland. Several Scottish politicians and trade unionists launched impassioned attacks on the decision.

Sir Kenneth Alexander, the chancellor of Aberdeen University, who was nominated by critics of the Ravenscraig closure to join the British Steel board, is almost certain not to be elected.

The result of a poll of shareholders due to be announced this morning will show Sir Kenneth won at most 20m votes. Sir Robert told the meeting prior to the ballot, that he had 600m proxy votes pledged to oppose Sir Kenneth's election. Sir Kenneth said he was standing to elicit more information about the background to the closure.

Sir Robert said the company was not making money at the

Sir Robert Scholey: rising costs hitting weakest product areas

Clydesdale seamless tube mill near Glasgow, which employs 1,400 staff. British Steel faces fierce competition in this area from Japanese and West German producers.

Any cut at Clydesdale would affect the nearby Imperial finishing works to which it is linked. The company has another seamless tube plant in the West Midlands.

Sir Robert said an international study of the performance of plate mills had found that the Dalzell plant was nowhere near world class. The company is expected to announce later this year the results of its review which analysts expect will lead to further investment at its plate mill at Scunthorpe, rather than Dalzell.

Mr Jim Sillars, the Scottish Nationalist MP speaking at the meeting accused the company of hiding the truth that it was intent on ending Scottish steel making and preventing any of its competitors using its unwanted assets.

Mr Bill Miller, chairman of the cross party committee established to fight the Ravenscraig closure said it would draw up plans next week to further the campaign. It is preparing a report for the European Commission and the Office of Fair Trading on the alleged anti-competitive nature of British Steel's strategy. It may also establish a shareholders committee formally opposed to the closure.

Motherwell Council's detailed report on the alternatives to closure should be produced within the next month.

Falling Volvo sales in the UK leave Lex 37% down at £23m

By Jane Fuller

A SLIDE in the number of Volvo cars sold in the UK hit pre-tax profits at the importer, Lex Service, which also had little joy from its other activities.

Pre-tax profit fell by 37 per cent to £23.2m (£36.8m) in the six months to July 1, on turnover down by six per cent to £956.6m (£1.02bn).

The biggest division, automotive distribution, saw trading profit fall by 26 per cent to £27.4m on sales of £712.5m (£754.7m).

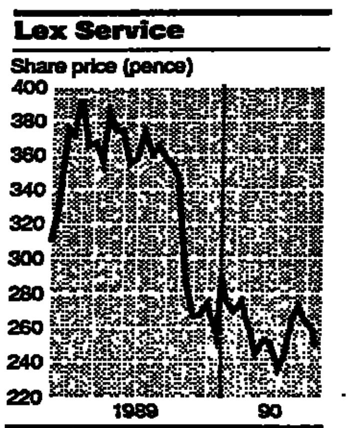
The number of Volvo cars registered fell from 42,555 to 36,833, aggravated by the decline in sales of the older 300 and 200 series and by a squeeze on the executive car market.

New Vauxhall Cavalier and Rover models had sold well, but the Nissan franchise, which was more dependent on the private buyer, had seen a 24 per cent drop. The group was concentrating on larger dealerships, including an imminent Ford acquisition.

Although used car sales were 8 per cent down, margins had improved. Parts and servicing had shown a 20 per cent profit increase.

Profits were halved at Lex Vehicle Leasing, the market leader in car and van contract hire jointly owned with Lombard North Central. A similar slump was experienced at the other company shared with LNC, Transfleet, which is in truck hire.

Earnings per share fell to 15.6p (26.7p). The interim dividend is maintained at 5.9p.



● COMMENT

In a dire year for UK motor traders, there was relief at Lex's damage limitation in the showrooms, and approval of its gearing reduction and dividend maintenance. But the outlook for car sales in general and Volvos in particular remains worrying. Although Lex made positive noises about Volvo's entry into the medium car market via the 400 range, analysts are more sceptical about its potential against Ford, Vauxhall and Rover models. As for electronic components, even if a charitable view is taken of benefits reaped from all the spending on restructuring, the market remains flat and competitive. Full-year profit forecasts varied considerably. On £38m the prospective p/e on the closing price of 248p looks on the high side at 9.5. The main prop is a prospective dividend yield of 8.2 per cent.

Lloyds disappoints the City with £408m

By David Barchard

LLOYDS BANK, the smallest of the Big Four clearing banks, yesterday announced lower-than-expected profits of £408m pre-tax for the half year ended June 30.

However, although that was well below analysts' forecasts of around £440m, the figures marked a recovery from a year ago when Lloyds reported pre-tax profits of £93m after making bad debt provisions of £504m.

Mr Brian Pittman, Lloyds' chief executive, said the six months had not been an outstanding half year for the bank, but it had succeeded in making over 18 per cent return on capital.

The group's risk asset ratio, the main indicator of its capital strength, is now 8.8 per cent, after dipping to 7.4 per cent at the start of the year in the wake of Lloyds' 1989 debt provisions.

Higher-than-expected debt provisions in the UK dampened what might otherwise have been a fairly encouraging set of results.

There were UK provisions of £190m, compared to £60m a year ago.

Provisions on Third World debts, £483m at this time last year, were a relatively modest £66m, confined to overdue interest payments. A further £47m was provided on other international exposure, down from £61m last year.

The bank's total assets dropped from £57.3bn a year ago to £55.95bn. Total income was £1.92bn, up by 8 per cent.

Net interest income for the group was up by 4 per cent to £1.13bn from £1.09bn a year ago.

UK retail banking contributed profits of £202m, 27 per cent down on last year when the division contributed £279m.

Lloyds said the downturn reflected the worsening economic climate in the UK, and provisions of £114m made against bad debts.

Profits from corporate banking fell from £89m last year to £28m, after provisions of £51m. Private banking contributed £33m, up from £22m last year, and international banking £71m (£36m).

Black Horse Estate agencies moved back into profit, making £4.8m, compared to a loss of £5.9m a year ago.

Earnings per share emerged at 18p (7p loss).

The interim dividend is being lifted from an adjusted 4.2666p to 5p.

Honorbilt calls in receivers

By Maggie Urry

ADMINISTRATIVE receivers were yesterday appointed to Honorbilt Group, the clothing designer and distributor, at the request of the group's board. The board refused to comment on the move.

Honorbilt, which joined the Third Market in August 1987 through a placing at 20p, had its shares suspended on Tuesday at 2½p. The joint receivers appointed are Mr Stephen Adamson and Mr Alan Bloom of Ernst & Young.

The receivers said that Tomato, Honorbilt's US subsidiary, was not affected by the receivership. Honorbilt had planned to float Tomato in the US, but this had been postponed.

Honorbilt blamed its difficulties on high interest rates and poor trading conditions, and on Gallini Group, which it acquired in September 1988. Honorbilt has issued writs against the former partners of Shelley Pinnick & Co, which was Gallini's auditor and acted as accountants on the deal.

Life and pensions sides boost Abbey Life

By Eric Short

LLOYDS ABBEY Life, the life assurance and financial services subsidiary of Lloyds reported a 14 per cent rise in pre-tax profits in the half-year from £133.6m to £152.2m, despite a flat performance from Abbey Life itself where pre-tax profits rose only marginally from £67.2m to £67.5m.

The main success story was the rapid growth in the life and pensions operations of Black Horse Financial, both in terms of profits, up 86 per cent from £15.5m to £28.8m, and new business, where regular premiums were 30 per cent higher at £25.3m against £19.5m and single premiums doubled from £96.8m to £194.5m.

In contrast, Abbey Life's new business performance was flat, with a 3.6 per cent decline in regular premiums from £53.3m to £51.4m offset by a 10 per cent rise in single premiums from £95.5m to £105.2m.

The non-life business operations of Lloyds Abbey Life showed a mixed pattern.

The independent insurance advisory operation, Lloyds Bank Insurance Services, reported a 27 per cent increase in profits from £17.5m to £22.3m following a one-third increase in commission income, while the estate agency operation moved from a £5.9m loss to £4.8m profit. Lloyds Bowmaker Finance saw profits dip from £37m to £30.9m.

The interim dividend is held at 6p, with a scrip alternative.

Greggs satisfied with 3% rise to £2.5m

By Clay Harris, Consumer Industries Editor

GREGGS, the Newcastle-based retail baker, increased pre-tax profits by less than 3 per cent to £2.54m in the 24 weeks to June 16, but said it was satisfied with the small advance over what had been a exceptionally strong performance last year.

Mr Mike Darrington, managing director, said he expected profits to increase at a higher rate for the year as a whole. Greggs made pre-tax profits of £6.89m in 1989.

The interim rise from £2.47m was achieved on turnover ahead by 13.6 per cent to £38.9m (£34.3m). With operating profits increasing only by 9.5 per cent to £2.32m (£2.03m), Greggs's margins at this level slipped from 5.9 to 5.7 per cent.

Mr Darrington said Greggs doubted it could continue to match the dramatic improvement in margins achieved in recent years. It would concentrate instead on increasing sales.

Throughout 1990, Greggs intends to add 39 shops to make a total of 444. It is aiming for 800 to 1,000 within five years.

The company has opened a satellite plant at Edinburgh to supplement its larger bakery in Glasgow and plans to use this pattern elsewhere in the country.

London, where the Enfield bakery has yet to break into profit, remains one of the main areas for expansion.

Labour costs, accounting for 50 per cent of total costs, are now running 9.5 per cent higher than a year ago, but Mr Malcolm Simpson, finance director, said the bulk of wage settlements had taken place in the first half.

Interest income went up to £322,000 (£280,000) in the half, and there were no property profits after £166,000 last time. Greggs is paying an interim dividend of 4.5p (4p) on earnings per share of 14.7p (14.2p).

Loss deepens at Holographics

Pre-tax losses at USM-quoted Applied Holographics deepened from £2m to £2.83m in the year to end-March, writes Clare Pearson.

The designer and producer of holograms said that over 50 per cent of the total loss could be attributed to investment in extension of an international production, sales and marketing infrastructure.

Mr Ossie Boxall, chairman, said the company was "at a point where the investment will start to bring returns."

Turnover rose to £4.66m (£2.28m). The loss per share was 16.6p (15.4p). Ahead of the announcement, the shares closed unchanged at 345p.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	110	ABI Leisure 10p	129		R4.7	3.3	4.9	8.4
-	F.P.	-	7½	4	Bennett & Fountain Wts.	7½	+½	-	-	-	-
-	F.P.	-	14	6	Fisher (Albert) Wrrts.	9		-	-	-	-
500	F.P.	-	101	95	French Property Tst.	100	-1	-	-	-	-
-	F.P.	-	39	32	Do. Warrants	38		-	-	-	-
†	F.P.	-	75	58	Golden Vale Ir1p	58		u0158%	5.1	2.6	10.6
100	F.P.	-	98	95	Jupiter Euro Inv. Tst	98		-	-	-	-
-	F.P.	-	38	35	Do. Warrants	38		-	-	-	-
-	F.P.	-	333	288	Latin Amer. Inv. Unit	303½		-	-	-	-
§108	F.P.	-	116	114	‡Levercrest 5p	115		R4.05	2.4	4.7	9.3
-	F.P.	-	44	32	Lucas Inds. Warrants	32	-½	-	-	-	-
§77	F.P.	-	85	77	M & W 10p	83		R2.2	2.9	3.5	9.3
-	F.P.	-	7	4	‡Oliver Res warrants	5	+1	-	-	-	-
-	F.P.	-	31	21	Paribas French B Wrnts	26	-2	-	-	-	-
120	F.P.	-	130	100	Pittencrief 10p	115		L2.3	1.8	2.7	14.7
130	F.P.	-	154	143	Seton Healthcare 10p	152	-2	L3.75	2.2	3.3	13.5
§100	F.P.	-	102	95	Siam Select. Growth Tst.	102	+1	-	-	-	-
-	F.P.	-	38	30	Do. Warrants	38		-	-	-	-
-	F.P.	-	43	33	Southend Prop Wrnts	33	-3	-	-	-	-
-	F.P.	-	5½	1½	‡Tullow Oil Warrants	4		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
101.73	F.P.	-	102¼	100	Anglian Water 5¼pc Index-lnk Ln 2008	102	
100	F.P.	-	101	90	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	93	
♦	F.P.	-	87p	77p	European Leisure 8.75p (Net) Cv Rd Pf	77p	-3
100p	F.P.	-	115¾p	96p	Hepworth Cap Fin. 11¼pc Cv. Bds 2005	115½p	-¼
100p	25p	-	50p	26p	Reckitt & Colman 9.5pc Cv Bds 2005	48½p	-½
100	F.P.	-	107½	102¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	106⅞	+⅛
242p	121p	-	164pm	140pm	Tomkins Units Non Int. Ln 6p	144pm	+1
100p	F.P.	-	105p	91p	Wyndham Group 9.375pc Cnv.Pf	93p	+2
-	F.P.	-	55p	35p	York Trust 8.5p (Net) Rd.Cr.Pf 20p	45p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
Ir40	Nil	-	16pm	11pm	Aran Energy Ir20p	14pm	-½
140	Nil	-	35pm	30pm	BTP	34pm	-1
17	Nil	-	1½pm	¼pm	Conrad Contl. 10p	¼pm	
£50	Nil	-	300pm	44pm	Expl. Co of Louisiana	100pm	+56
25	Nil	-	6¼pm	4½pm	Ferranti Intl. 10p	5pm	
182	Nil	-	51pm	37pm	First Leisure	46pm	
475	Nil	-	120pm	115pm	Harland Simon	115pm	
4	Nil	-	¼pm	¼pm	‡Maxiprint 1p	¼pm	
Ir20	Nil	-	12pm	6pm	McInerney Props. 10p	11pm	+1
37	Nil	-	8¼pm	5¼pm	Monument Oil & Gas 5p	6¼pm	-½
220	56	23/7	86	60	Ratners	66	-3
10	Nil	-	3pm	1pm	‡Reliant Group	1pm	-½
100	Nil	-	48pm	41pm	Sketchley	41pm	-1
800	Nil	-	420pm	350pm	Sun Life	363pm	-10

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings July 30
- Last Dealings Aug. 10
- Last Declarations Nov. 1
- For settlement Nov. 12

For rate indications see end of London Share Service

Calls in Cityvision, London & Metropolitan Prop., Platignum, Richmond Oil & Gas and Westland warrants. Puts in Y.J. Lovell, Gaelic Res. and Blenheim Exhibitions.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Cont Assets ...int	1☆	Sept 6	-	-	0.1
Forminster ...fin	7.19	Sept 12	6.25	10.22	9
Gibbs Mew § ...fin	3.75	Oct 1	3.25	6.75‡	6‡
Greggs ...int	4.5	Oct 12	4	-	12
Independent Inv ...fin	0.25	Sept 21	0.25	0.25	0.75♥
Jourdan (Thos) ...int	1.5	Oct 1	1.5	-	5.6
Lex Service ...int	5.9	Sept 7	5.9	-	15.3
Lloyds Abbey ...int	6	Oct 12	6	-	17
Lloyds Bank ...int	5	Oct 11	4.3*	-	13.3*
Optical/Medical ...fin	3.46	Oct 29	3.46	5.21	5.11
Prospect Inds ...int	0.1	-	nil	-	nil

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♥Includes special 0.5p. ‡Includes 1p special property dividend. ☆Special non-recurring interim.

NEWS DIGEST

Optical & Medical falls to £6m

OPTICAL & Medical International, which supplies specialised products and technical services to the optical and instrumentation industries, has seen a decline in profits and turnover in the 12 months to March 31.

At the taxable level profits fell by a little more than £1m to £6.01m and turnover slipped from £55.57m to £54.39m. Tax took less at £2.31m (£2.43m), leaving earnings lower at 8.5p (10.8p). The proposed final dividend is maintained at 3.46p to lift the total 0.1p to 5.21p.

The company said that the level of defence business as a proportion of the group's total activities had been reduced to less than 20 per cent of sales.

Forminster declines to less than £2m

Forminster, the outer clothing manufacturer, saw taxable profits slip from £2.13m to £1.99m in the year to May 30, though turnover rose fractionally from £18.28m to £18.9m.

Tax took less at £696,000 (£820,000), leaving earnings higher at 40.29p (38.99p). The final dividend is lifted to 7.19p (6.25p) for a total of 10.22p (9p).

The company said that clothing sales in the UK were slow and that this was grounds for caution, but that it was optimistic of another satisfactory year.

Forminster has continued to acquire its own shares for cancellation and will seek renewed authority for this at the forthcoming annual meeting.

Kynoch to raise £1.3m for diversification

In order to diversify into the healthcare industry, G&G Kynoch, the textiles company, is to raise £1.28m net via a placing of 1.25m new ordinary at £1.20 per share. The placing will be underwritten by Banque Indosuez.

Kynoch believes that it needs to release its dependence on the cyclical textile market and has targeted healthcare as an area for expansion.

At the same time the company proposes to appoint Mr Kevin D'Silva as chief executive and group managing director with particular responsibility for the group's development strategy. He was previously managing director of four healthcare companies which comprise TFX Medical.

Wm Jackson edges higher

Profits of William Jackson & Son, an operator of discount stores and food markets, edged ahead from a depressed £4.17m to £4.22m pre-tax for the year to April 28.

Turnover rose to £196m (£180.93m) and gross profits to £43.24m (£38.26m). However, distribution costs rose by £4.36m to £35.76m and interest charges accounted for £557,000 more at £859,000.

The company's ordinary shares are not listed.

Sycamore £1.74m in the red

An exceptional provision of £1.5m relating a write-off of slow moving kitchen stock left Sycamore Holdings £1.74m in loss for the six months ended March 31.

The loss, incurred on a turnover of £4.17m (£3.93m), compares with a loss of £29,000 for the opening six months of the previous year. Loss per 25p share emerged at 18.25p (0.31p).

Directors said the adverse result stemmed from a poor performance of the wood furniture business which had continued to suffer production difficulties during the half year.

Apart from kitchen furniture, the company manufactures foundry products, moisture testing equipment and leisure products.

ATP returns to the black with £147,000

ATP Communications Group, the Leeds-based communications, marketing and services company, returned to the black in the year to March 31 1990.

This USM-quoted company achieved £147,000 pre-tax, though in the first six months it made £103,000 of that figure. However, in the seven months to March 31 1989 it reported losses of £1.58m.

In the period under review ATP had turnover of £7.87m and gross profit of £2.15m. At the operating level profits were £341,000 and interest payable totalled £194,000.

Earnings came out at 0.23p per share.

There is again no dividend for shareholders but the board wants to establish a progressive dividend policy as soon as is practicable.

A highlight of the year, the company said, was the reduction of its bank borrowings from £3.1m to £500,000.

The disposal and closure programme was now all but completed, leaving a core of four profitable businesses: ATP Public Relations; ATP Advertising & Marketing; Anderson Design Associates; and Thornton & Pearson Printers.

In the seven months to March 31 1989, the group had turnover of £10.29m; operating losses of £1.34m; and losses per share of 15.2p.

Derby Trust net assets lower

Net asset value per capital share of Derby Trust fell marginally in the six months to June 30 to 415p from 429p six months earlier, allowing for full subscription of the outstanding warrants to subscribe for capital shares the figure was down from 378p to 366p.

The directors said the income figures for the first half of 1990 had benefited from higher short-term interest, larger dividends from overseas investments and strong UK dividend growth.

Based upon current expectations, they maintained, that level of percentage growth in net income would not be achieved in the second half of this year.

Dividends and interest, including tax credit, amounted to £1.43m (£1.2m); expenses and interest took £134,079 (£122,009) and tax took £369,163 (£306,953) leaving earnings per income share of 7.8484p (6.5176p).

Thos Jourdan slips to £532,000 halfway

Pre-tax profits at Thomas Jourdan, the niche consumer products manufacturer, slipped from £602,000 to £532,000 in the half-year to June 30 after interest charges of £145,000, against £22,000.

Turnover rose to £13.33m (£12.26m) and operating profit was up at £677,000 (£624,000). Earnings fell to 1.92p (2.38p) per share and the interim dividend is maintained at 1.5p.

Mr Keith Whitten, chairman, said: "While the market for consumer goods is generally extremely difficult this year, the pattern is by no means uniform and three of our subsidiaries have finished the half-year with profits ahead of their budgets."

ECONOMIC DIARY

TODAY: Congress of Senegal's ruling socialist party (until July 29). Mr Alberto Fujimora takes over the Peruvian presidency.

TOMORROW: Agriculture ministers from Japan, Canada, US, Australia plus the European Community Commission meet at Dromoland Castle, Ireland to discuss GATT (until July 31). Mongolia holds parliamentary elections billed as country's first free vote but opposition threatens boycott. Referendum on whether president of Hungary should be elected by the population or by parliament. South African Communist Party to be officially relaunched.

MONDAY: London sterling sertificates of deposit (June). Monetary statistics (including bank and building society balance sheets) (June). Bill turnover statistics (June). Sterling commercial paper (June). New vehicle registrations (June). US personal income (June). GATT council conducts reviews of the trade policies of Japan, Canada, Hong Kong and New Zealand in Geneva (until August 3). Professional Association of Teachers holds annual conference in Nottingham (until August 3). STC interim statement.

TUESDAY: CBI industrial trends survey (July). US single family home sales (June). Start of two-day meeting of prime ministers and foreign ministers of "Pentagonal" group of countries (Italy, Austria, Czechslovakia, Hungary and Yugoslavia) in Venice. Milk Marketing Board's annual meeting. Central Transport Consultative Committee annual report.

WEDNESDAY: Overseas earnings of the City (1989). Advance energy statistics (June). Overseas travel and tourism (May). US leading indicators (June); construction spending (June). Woolf inquiry into prison disturbances. Launch of Russian spacecraft to Mir space station.

THURSDAY: UK official reserves (July). Mrs Margaret Thatcher, Prime Minister, visits Colorado (speaking at the Aspen Institute on Sunday). US factory orders (June). New launch date set for Hoverspeed's catamaran service between Portsmouth and Cherbourg.

FRIDAY: Housing starts and completions (June).

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Friday July 27 1990: Index No	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Thu Jul 26 Index No.	Wed Jul 25 Index No.	Tue Jul 24 Index No.	Year ago (approx.) Index No.	1990 High	1990 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (194)	871.21	-0.5	13.28	5.32	9.20	23.04	875.30	877.04	879.93	995.55	960.80 4/1	813.49 30/4	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (26)	1116.30	-0.8	13.69	5.40	9.02	30.01	1125.85	1121.26	1122.08	1222.73	1188.21 3/1	989.61 30/4	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (36)	1443.54	....	16.47	5.70	7.90	35.78	1443.56	1438.27	1432.02	1628.82	1621.44 4/1	1278.36 1/5	1951.50 16/7/87	71.48 2/12/74
4	Electricals (10)	2437.03	-0.2	11.77	5.46	10.45	61.43	2442.05	2438.55	2432.28	2944.44	2751.15 4/1	2317.73 6/3	3040.80 8/9/89	84.71 25/6/62
5	Electronics (26)	1786.11	+0.1	10.60	4.49	12.35	51.42	1784.64	1796.95	1812.29	2283.36	2044.72 9/1	1717.35 30/4	2308.22 19/5/89	1229.01 8/10/85
6	Engineering-Aerospace (8)	460.73	-0.4	14.09	5.11	8.46	10.79	462.59	461.88	462.13	0.00	502.42 13/6	409.55 6/3	502.42 13/6/90	409.55 6/3/90
7	Engineering-General (46)	492.46	-0.1	12.06	5.19	10.04	11.34	492.83	492.82	490.87	0.00	505.10 15/6	448.31 30/4	505.10 15/6/90	448.31 30/4/90
8	Metals and Metal Forming (6)	483.82	....	23.86	6.94	5.10	16.68	483.97	491.18	494.06	529.82	515.57 4/1	457.99 27/4	596.67 9/10/87	49.65 6/1/75
9	Motors (13)	348.82	-0.9	16.18	6.70	7.19	9.81	352.02	353.25	351.28	359.74	403.90 4/1	327.76 10/5	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (23)	1551.68	-1.0	11.22	5.14	10.29	39.22	1567.14	1574.12	1590.96	1698.93	1774.64 3/1	1472.55 3/5	1881.53 18/8/89	277.55 15/1/81
21	CONSUMER GROUP (179)	1306.04	-0.1	9.29	3.87	13.30	24.06	1307.48	1313.19	1309.60	1328.15	1357.03 3/1	1151.43 30/4	1417.92 4/9/89	61.41 13/12/74
22	Brewers and Distillers (22)	1631.38	+0.4	9.34	3.57	12.86	30.46	1624.46	1629.34	1635.11	1462.51	1650.55 20/7	1369.31 6/3	1650.55 20/7/90	69.47 13/12/74
25	Food Manufacturing (20)	1092.11	-0.4	10.41	4.34	11.90	23.19	1096.89	1102.42	1098.00	1202.02	1184.41 3/1	1001.05 30/4	1220.42 4/9/89	59.67 11/12/74
26	Food Retailing (16)	2617.14	+0.3	8.66	3.15	14.78	40.59	2610.14	2614.11	2591.06	2533.86	2617.14 27/7	2188.04 30/4	2722.30 5/9/89	54.25 11/12/74
27	Health and Household (15)	2552.14	-0.2	6.78	2.72	17.53	25.21	2558.27	2570.13	2562.57	2365.86	2795.49 4/1	2365.35 6/3	2795.49 4/1/90	175.38 28/5/80
29	Leisure (33)	1445.86	....	10.03	4.28	12.15	34.00	1446.40	1451.79	1443.63	1759.03	1717.22 9/1	1266.85 30/4	1845.77 8/9/89	54.83 9/1/75
31	Packaging & Paper (12)	608.45	....	10.90	5.67	11.29	12.94	608.29	610.82	608.83	607.07	625.01 17/7	534.25 30/4	739.48 16/7/87	43.46 6/1/75
32	Publishing & Printing (16)	3396.17	-0.1	10.60	5.44	11.79	105.00	3398.31	3410.54	3447.54	3791.66	3853.61 4/1	3029.15 30/4	5070.66 5/10/87	55.08 6/1/75
34	Stores (34)	813.61	-0.6	10.87	4.63	11.91	16.49	818.86	825.41	819.45	891.79	866.32 13/6	690.43 27/4	1160.58 29/7/87	52.63 6/1/75
35	Textiles (11)	489.64	-0.7	12.58	7.35	10.03	18.26	493.06	495.78	491.69	563.23	554.37 4/1	447.50 30/4	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (107)	1146.49	-0.9	11.26	5.18	10.72	25.61	1157.19	1170.28	1168.35	1193.70	1233.52 3/1	1059.71 30/4	1233.52 3/1/90	58.63 6/1/75
41	Agencies (16)	1491.00	-0.3	6.87	2.61	17.59	15.86	1495.01	1514.35	1496.42	1468.43	1757.73 15/6	1471.39 30/4	1795.57 17/7/87	870.35 4/12/87
42	Chemicals (24)	1213.99	-0.9	10.94	5.46	10.81	31.96	1224.50	1269.97	1278.77	1321.52	1335.87 14/6	1138.16 27/4	1545.46 5/10/87	71.20 1/12/74
43	Conglomerates (15)	1610.68	-1.3	10.59	6.20	11.35	31.95	1631.84	1645.59	1635.04	1712.65	1722.31 14/6	1480.08 30/4	1819.46 11/8/89	975.19 10/11/87
44	Transport (13)	2327.00	-1.3	10.57	4.45	12.01	49.33	2358.64	2359.17	2346.91	2482.11	2458.00 4/1	2093.96 30/4	2554.69 12/7/89	90.80 29/6/62
46	Telephone Networks (2)	1175.02	-0.4	11.41	4.79	11.40	26.09	1180.17	1193.81	1195.44	1085.68	1290.72 3/1	1019.16 30/4	1290.72 3/1/90	517.92 30/11/84
47	Water (10)	1999.12	+0.1	16.05	6.77	6.97	68.12	1996.53	1977.19	1955.05	0.00	2079.08 16/2	1820.20 1/5	2079.08 16/2/90	1820.20 1/5/90
48	Miscellaneous (27)	1737.97	-1.7	12.69	5.17	8.97	41.95	1768.50	1774.73	1778.01	2053.95	1981.35 3/1	1674.89 10/5	2087.06 11/7/89	60.39 6/7/75
49	INDUSTRIAL GROUP (480)	1159.18	-0.4	10.85	4.62	11.26	24.98	1164.40	1171.32	1170.20	1223.29	1234.94 3/1	1051.74 30/4	1273.71 5/9/89	59.01 13/12/74
51	Oil & Gas (20)	2372.32	-0.8	12.38	5.20	10.59	60.49	2390.98	2421.96	2407.54	2168.22	2475.71 2/1	2111.34 30/4	2475.71 2/1/90	87.23 29/5/62
59	500 SHARE INDEX (500)	1260.29	-0.5	11.07	4.70	11.16	27.88	1266.56	1275.36	1273.22	1303.74	1338.65 3/1	1140.35 30/4	1369.88 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (108)	796.80	-0.6	–	5.75	–	21.40	801.29	807.76	806.56	785.13	869.67 3/1	735.74 30/4	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	851.03	-0.8	19.24	6.34	6.81	25.62	858.09	867.11	856.35	776.22	918.30 2/2	766.65 27/4	918.30 2/2/90	62.44 12/12/74
65	Insurance (Life) (7)	1475.38	-1.4	–	5.00	–	36.94	1495.69	1501.47	1512.75	1179.12	1519.19 29/6	1220.17 1/5	1519.19 29/6/90	44.88 2/1/75
66	Insurance (Composite) (6)	665.57	....	–	6.21	–	19.43	665.87	676.59	682.45	623.48	763.09 2/1	622.62 30/4	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (8)	964.88	+0.9	8.92	6.67	14.77	32.95	956.66	954.06	957.45	982.89	1194.74 4/1	943.38 23/7	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (7)	437.67	....	–	4.63	–	10.76	437.76	437.49	437.68	370.16	502.02 8/2	403.22 30/4	547.59 12/10/87	31.21 7/1/75
69	Property (47)	1093.21	-0.3	8.02	4.32	16.01	19.93	1096.99	1100.86	1105.82	1373.58	1242.53 4/1	1055.23 4/5	1398.87 5/9/89	56.01 20/4/65
70	Other Financial (24)	288.23	-0.2	10.58	6.79	12.24	8.95	288.85	289.64	289.68	378.75	350.59 4/1	287.29 10/7	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (66)	1207.56	-0.6	–	3.20	–	18.16	1214.73	1218.54	1216.93	1220.13	1323.81 4/1	1113.92 30/4	1323.81 4/1/90	71.12 13/12/74
91	Overseas Traders● (5)	1437.83	-0.7	9.79	6.36	12.21	59.65	1447.48	1453.48	1442.38	1429.23	1614.04 3/1	1269.70 30/4	1614.04 3/1/90	97.37 6/1/75
99	ALL-SHARE INDEX (679)	1148.93	-0.5	–	4.82	–	26.13	1154.80	1162.86	1160.91	1176.69	1226.83 3/1	1043.16 30/4	1238.57 16/7/87	61.92 13/12/74

	Index No	Day's Change	Day's High (a)	Day's Low (b)	Jul 26	Jul 25	Jul 24	Jul 23	Jul 20	Year ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2330.1	-14.0	2339.9	2327.9	2344.1	2364.7	2360.9	2359.7	2400.1	2306.01	2463.7 3/1	2103.4 30/4	2463.7 3/1/90	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Jul 27	Day's change %	Thu Jul 26	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.80	+0.34	115.41	–	7.62
2	5-15 years	122.37	+0.84	121.35	–	8.04
3	Over 15 years	127.32	+1.25	125.74	–	6.15
4	Irredeemables	143.96	+1.23	142.21	–	7.35
5	All stocks	122.40	+0.71	121.54	–	7.81
	Index-Linked					
6	Up to 5 years	148.06	+0.12	147.87	–	1.49
7	Over 5 years	136.95	+0.41	136.40	–	2.51
8	All stocks	137.68	+0.38	137.15	–	2.43
9	Debentures & Loans	101.40	+0.02	101.39	–	6.22
10	Preference	75.47	+0.14	75.37	–	3.58

	AVERAGE GROSS REDEMPTION YIELDS		Fri Jul 27	Thu Jul 26	Year ago (approx.)	1990 High	1990 Low
	British Government						
1	Low	5 years	10.65	10.81	9.51	12.36 2/5	10.16 2/1
2	Coupons	15 years	10.65	10.81	9.14	11.94 30/4	9.58 2/1
3		25 years	10.65	10.81	9.06	11.85 30/4	9.52 2/1
4	Medium	5 years	11.95	12.08	10.32	13.58 2/5	11.03 2/1
5	Coupons	15 years	11.13	11.28	9.51	12.45 27/4	9.97 2/1
6		25 years	10.79	10.93	9.17	11.98 27/4	9.65 2/1
7	High	5 years	12.05	12.18	10.45	13.67 2/5	11.17 2/1
8	Coupons	15 years	11.39	11.52	9.74	12.76 27/4	10.17 2/1
9		25 years	11.03	11.17	9.37	12.27 27/4	9.78 2/1
10	Irredeemables	†	10.72	10.85	9.12	11.83 30/4	9.66 4/1
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	5.22	5.24	2.99	5.48 20/7	3.83 5/1
12	Inflation rate 5%	Over 5 yrs.	4.29	4.32	3.51	4.37 20/7	3.60 4/1
13	Inflation rate 10%	Up to 5 yrs.	4.09	4.09	2.20	4.37 9/7	2.95 2/1
14	Inflation rate 10%	Over 5 yrs.	4.11	4.13	3.34	4.17 20/7	3.43 4/1
15	Debs &	5 years	13.85	13.85	12.40	16.70 30/4	13.01 15/1
16	Loans	15 years	12.79	12.80	11.85	14.48 26/4	12.27 12/1
17		25 years	12.50	12.51	11.32	13.89 4/5	11.99 2/1
18	Preference	†	12.58	12.60	10.26	12.69 11/7	10.87 2/1

‡Opening index 2336.6; 9 am 2331.2; 10 am 2331.8; 11 am 2332.5; Noon 2339.3; 1 pm 2339.3; 2 pm 2337.2; 3 pm 2332.3; 4 pm 2331.1; 4.10 pm 2330.9; (a) 12.13pm (b) 8.45am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Engineering - Aerospace	29/12/89	486.00	Other Industrial Materials	31/12/80	287.41	Food Retailing	29/12/67	114.13
Engineering - General	29/12/89	486.00	Health/Household Products	30/12/77	261.77	Insurance Brokers	29/12/67	96.67
Water	29/12/89	1968.45	Other Groups	31/12/74	63.75	All Other	10/4/62	100.00
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Conglomerates	31/12/86	1114.07	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Telephone Networks	30/11/84	517.92	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00
Electronics	30/12/83	1646.65	Food Manufacturing	29/12/67	114.13	Preference	31/12/77	76.72
						FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.
CONSTITUENT CHANGES: Parkfield (10) and FKB (41) have been deleted and replaced by PFG Kenyon International (48) and Yorkshire Chemicals (42). ●- Corrected year ago figures for yesterday's paper:- Overseas Traders 1418.80, All-Share 1166.71, FT-SE 100 2283.7.

LONDON TRADED OPTIONS

THE FUTURES market remained under pressure yesterday as Wall Street continued to ease, while in the traded options market GKN was actively dealt as its underlying shares retreated.

The September FT-SE 100 index contract closed 8.0 lower at 2,377.0. Its premium over the underlying index widened to 47 points, against 44 at the previous session. But at one stage it had narrowed to 33 points which was less than fair value.

In the traded options market turnover continued to be depressed. Total volume stood at 28,287 contracts, compared with 27,017 on Thursday. Daily volume this week has continued to be less than 30,000 contracts, a figure which many dealers consider necessary to be bettered if overheads are to be covered.

Once again dealing in puts predominanted, reflecting the broader stock market decline. Yesterday's total was divided between 16,870 puts and 11,417 calls.

Stock index options saw a small increase in turnover to 9,202 from 7,247 in the previous session. The index total was divided between 2,528 calls and 6,674 puts. Trading in the index was swelled by the expiry next week of the July contracts.

The July 2,400 puts were the busiest, which traded 2,139 contracts.

Among the stock options, GKN was the most active, as its underlying shares fell 5 to 397p on turnover of 2.2m. Activity in the options was lifted by one large transaction, which was said to involve the purchase of 1,000 January 380 puts at 7p and sale of 1,000 October 360 puts at 4p. Total turnover in GKN stood at 2,445 contracts, of which 2,325 were puts and 120 were calls.

Dealing in Hanson options was also lifted as its underlying securities fell back. Some 1,349 contracts changed hands, of which 816 were calls and 533 were puts. The November 260 calls were busiest, trading 450 lots.

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Allied Lyons (*506)	500	33	50	67	15	23	27
	550	12	27	41	49	52	55
	600	3½	13	-	99	102	-
ASDA (*121)	100	21	27	-	3	4	-
	110	15	20	23	5	7	8
	120	8	15	18	9	11	13
Brit. Airways (*206)	200	17	23	29	7	9	10
	220	7	13	19	17	18	20
	240	2	6½	12	34	34	34
SmKl Beecham A (*534)	500	52	70	-	8	15	-
	550	22	43	54	28	35	38
	600	7	22	33	67	68	70
Boots (*298)	280	30	39	50	7	10	11
	300	18	26	36	14	16	19
	330	7½	14	22	34	35	36
B P (*337)	300	42	51	59	2	4½	6
	330	20	30	40	8½	12½	14
	360	7	16	23	27	28	30
British Steel (*141)	130	16	20½	23	1½	3½	4½
	140	9½	13	17	4	8	8½
	160	2½	5	9	20	20	20
Bass (*1120)	1050	112	134	165	10	23	30
	1100	74	100	132	22	39	45
	1150	47	72	105	45	60	67
C & Wire (*512)	500	42	60	80	14	21	24
	550	17	35	51	42	46	48
	600	5	17	30	90	90	92
Courtaulds (*370)	330	-	62	-	-	6	-
	360	30	42	52	10	14	17
	390	15	27	37	26	29	30
Com. Union (*503)	460	52	68	-	9	14	-
	500	25	41	50	25	28	34
	550	9	20	36	58	58	61
GKN (*397)	390	22	37	45	18	23	25
	420	9	22	23	36	42	40
	460	3	-	-	70	-	-
Grand Met. (*640)	600	68	95	102	8	14	20
	650	35	62	75	25	32	25
	700	14	38	52	65	65	67
I.C.I. (*1026)	1000	57	94	110	29	35	50
	1050	30	65	82	57	62	79
	1100	16	45	59	100	100	112
Kingfisher (*357)	330	41	51	65	7	10	12
	360	18	34	46	18	24	26
	390	9	22	32	36	38	40
Ladbroke (*320)	300	35	43	55	5½	10½	12
	330	17	26	36	17	22	24
	360	18	34	46	18	24	26
Land Secur (*525)	460	80	92	-	2	5½	-
	500	46	62	77	8	14	16
	550	17	33	46	33	38	39
M & S (*237)	220	28	35	43	4	5½	7
	240	15	21	30	11	13	15
	260	6	12	19	24	25	26
STC (*287)	260	34	50	55	7	10	14
	280	20	36	42	14	17	22
	300	13	25	31	24	27	31
Sainsbury (*305)	280	36	45	53	4	5	8
	300	22	32	41	10	13	14
	330	7	15	25	28	29	31
Shell Trans. (*474)	420	65	80	85	2	6	8
	460	29	50	55	12	18	22
	500	13	30	37	35	37	40
Storehouse (*138)	120	24	29	32	3	6	7
	130	17	22	26	5½	9	11
	140	10	15	19	9	14	15
Trafalgar (*296)	280	32	38	45	8	13	17
	300	19	26	35	17	23	27
	330	6½	14	-	37	39	-

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Utd. Biscuits (*351)	330	32	44	51	8	12	14
	360	13	26	34	22	25	27
	390	5	13	21	44	46	46
Unilever (*697)	650	73¼	94	-	9¼	13¼	-
	700	33½	56¼	78¼	21¼	27	29¼
	750	13	32¼	52	56¼	59	60¼
Ultramar (*337)	330	24	38	48	12	17	22
	360	11	24	32	30	35	37
	390	5	-	-	55	-	-
Option		**Aug**	**Nov**	**Feb**	**Aug**	**Nov**	**Feb**
Brit Aero (*544)	500	52	68	87	3	15	18
	550	14	37	59	18	34	37
	600	2	16	35	63	65	70
BAA (*451)	420	35	56	69	4	11	15
	460	8½	32	42	18	27	30
	500	2	16	26	53	55	55
BAT Inds (*595)	578	-	55	-	-	15	-
	587	20	-	-	10	-	-
	600	-	-	60	-	-	32
BTR (*401)	390	18	30	45	4½	13	17
	420	4	16	30	21	30	33
	460	1	5	15	61	62	62
Brit. Telecom (*288)	280	13	25½	32½	3½	7	10
	300	3	13½	21	14	16	18½
	330	1	4½	9	43	43	43
Cadbury Sch (*346)	330	23	36	50	3½	9	14
	360	1	4½	9	43	43	43
Guinness (*803)	800	23	57	86	12	30	37
	850	5	33	59	50	58	63
GEC (*191)	180	14	22½	28	1½	3½	6
	200	2	9½	16	10½	12½	14½
Hanson (*229)	220	12	22½	25	1¼	4½	8½
	240	2	10½	14	12	13½	18½
LASMO (*440)	433	22	38	-	10	18	-
	460	6	25	42	27	32	35
P & O. (*635)	600	41	57¼	78¼	2½	13¼	18½
	650	7¼	26½	47½	21	36¼	41¼
Pilkington (*194)	180	18	27	34	1½	5	7
	200	4½	14	22	9	13	19
Polly Peck (*453)	420	-	-	26	-	-	15¼
	460	9¼	34½	51¼	14½	25½	32¼
Prudential (*236)	220	20	26	33	1½	5½	9
	240	6	14	21	9	15	17
Racal (*197)	180	19	28	-	2	5	-
	200	5	15½	23	7½	12	16
R.T.Z. (*556)	550	18	40	60	9	20	24
	600	3	17	37	49	52	54
Scot. & New (*357)	330	28	47	55	3	10	16
	360	9	28	35	14	20	27
Tesco (*236)	220	19	26¼	34¼	1½	4¼	6
	240	3¼	13¼	21½	6½	12	13¼
Thames Water (*236)	230	11	22	30	4	8	12
	240	-	15	23	-	12	16
Water Hldg Pkg (*£2325)	2300	80	190	270	80	100	140
	2350	50	170	240	100	130	160
Option		**Sep**	**Nov**	**Jan**	**Sep**	**Nov**	**Jan**
Ferranti (*29)	29	3½	4½	7	1¼	3	4
	33	1¼	3	4½	4½	5	7
Option		**Sep**	**Nov**	**Feb**	**Sep**	**Nov**	**Feb**
Lucas Inds (*148)	140	14	17	20	3	6	9
	160	4	7	11	14	18	20
Option		**Aug**	**Oct**	**Dec**	**Aug**	**Oct**	**Dec**
Reuters (*1053)	1050	32	76	106	30	51	60
	1100	13½	53	82	63½	80	87

Option		CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
Abbey Nat. (*221)	220	10	17	23	9	12	15
	240	3½	9	14	23	24	26
Amstrad (*67)	60	11	13½	16½	1½	3½	5
	70	4	7½	10½	6	8½	9½
Barclays (*394)	393	15	20	-	19	22	-
	420	-	-	28	-	-	50
Blue Circle (*235)	220	23	31	40	3½	8	18
	240	10	19	27	13	20	22
British Gas (*219)	200	24	32	37	1½	3	4½
	220	9½	18	23	6	9	10
Dixons (*142)	140	12	18	22	7	10	11
	160	3½	9	12	21	22	23
Glaxo (*828)	800	55	73	107	14	30	35
	850	24	45	75	37	52	57
Hawker Sidd. (*563)	500	75	87	103	3½	10	13
	550	33	53	70	15	25	27
Hillsdown (*284)	280	16	27	35	8	13	14
	300	7	16	25	20	23	25
Lonrho (*267)	260	-	-	33	-	-	17
	273	10	20	-	15	17	-
Midland Bk (*294)	280	22	34	43	12	17	23
	300	12	23	33	25	30	35
R. Royce (*215)	200	22	27	35	3	5½	8½
	220	9	16	24	9½	13	16
Sears (*94)	90	8	12	15	3	5	6
	100	4	6½	10	9	10	11
THF (*298)	280	29	36	50	3	8	10
	300	14	26	37	11	16	19
Thorn EMI (*720)	700	45	68	87	14	22	25
	750	19	39	57	37	44	46
TSB (*141)	140	6	13	14	8	9	11
	160	1	4	7	24	25	26
Vaal Reefs (*$75)	70	10	15	15	5	7	8
	80	6	10	11	10	12	13
Wellcome (*563)	550	42	64	85	18	27	32
	600	18	40	60	45	50	60

EURO FT-SE INDEX (*2331)

	2225	2275	2325	2375	2425	2475	2525	2625
CALLS								
Jul	110	60	22	4	1	½	½	-
Aug	143	103	70	43	25	14	8	-
Sep	170	-	100	-	52	-	23	9
Dec	235	-	167	-	112	-	71	41
Mar	277	-	208	-	158	-	115	81
Jun	321	-	257	-	206	-	159	116
PUTS								
Jul	1	3½	14	48	98	148	198	-
Aug	15	26	40	66	99	137	180	-
Sep	23	-	48	-	93	-	165	250
Dec	37	-	62	-	101	-	155	221
Mar	67	-	95	-	110	-	153	210
Jun	64	-	86	-	117	-	159	209

FT-SE INDEX (*2331)

	2200	2250	2300	2350	2400	2450	2500	2550
CALLS								
Jul	132	83	34	6	1½	½	½	½
Aug	163	122	84	53	30	18	10	5
Sep	192	152	115	84	59	40	28	17
Oct	220	182	145	113	85	64	47	34
Jun †	335	-	267	-	205	-	153	-
Dec †	255	-	180	-	118	-	75	-
PUTS								
Jul	½	1½	5	25	71	121	171	221
Aug	11	18	30	53	86	125	172	221
Sep	19	29	43	62	91	128	172	221
Oct	25	37	52	72	100	135	175	221
Jun †	55	-	83	-	123	-	183	-
Dec †	31	-	56½	-	97	-	172	-

July 27 Total Contracts 28,284
Calls 11,414 Puts 16,870
FT-SE Index Calls n/a Puts n/a
Euro FT-SE Calls n/a Puts n/a
*Underlying security price. † Long dated expiry mths

HK family launches US acquisition drive

By John Elliott in Hong Kong

MR Li Ka-shing, one of Hong Kong's leading entrepreneurs, has launched a wide-ranging acquisition drive in the US by paying US$150m for a 50 per cent equity stake in Gordon America, the Canadian-led partnership which this week bought a $3bn junk bond portfolio from Columbia Savings & Loan of California.

Mr Richard Li, Mr Li's 23-year-old second son, yesterday said that the acquisition provided the group with a "window to look at corporate America" because Gordon was a debt-holder in 175 companies covering almost every industry in the country.

"That is a very good window indeed to look for further investment in the US and it is the primary reason for investing in the junk bonds," said Mr Li.

The Li Ka-shing families' public and private company interests range from property and container ports to telecommunications and banking, and are thought to be worth well over US$3bn. They are cash rich. Last night Mr Li said that they had "US$1.7bn in cash and very liquid investments."

For the past seven months since he returned from Canada, Mr Li has been a managing director of a corporate fund management committee which looks for acquisitions and investments. He said that the "committee had looked more at the securities side of business than has been done before."

Columbia is insolvent because of US$1bn in losses and market declines in the value of low investment grade debt, junk bonds.

It agreed on Wednesday to sell its junk bond portfolio for US$3bn – US$300m in cash and US$2.7bn in note bearing interest – to Gordon America LP, which was created for the deal.

Yesterday it was announced that the 50 per cent Li family stake in Gordon America is split between Cheung Kong and Hutchison Whampoa, the two main Hong Kong stock market listed companies, which have 20 per cent each, and an unnamed family-owned private company which has 10 per cent.

Li Ka-shing: interests from container ports to banking

The remainder is held by Gordon Investment Corporation (GIC), an aggressive merchant bank based in Toronto and New York which has close links with the Li Ka-shing family.

The driving force behind GIC is Gordon Capital, a closely-held securities firm where Mr Richard Li was a stake-owning partner in Toronto until he returned to Hong Kong early this year. Hutchison has 5 per cent, while another 20 to 25 per cent is held by Canadian Imperial Bank of Commerce, a Canadian bank in which the family has a stake of under 10 per cent.

This network of holdings means that the Li family effectively controls more than 50 per cent of Gordon America. It also suggests that the Gordon companies will be playing a leading role in the family's search for US acquisitions.

Mr Li said last night that, while the family had extensive interests in Canada there was "very little at present in the US" and it did "not want to limit itself just to Canada."

Mr Li Ka-shing has frequently said he would like to expand from 20 per cent to 30 per cent the proportion of his quoted companies' interests that are outside Hong Kong.

GIC's other partners include the Kuwait Investment Office, Canadian Imperial Bank of Commerce and Hollinger, the Canadian holding company controlled by Mr Conrad Black, owner of Britain's Daily Telegraph newspaper.

Gordon Capital's principal partners own 50 per cent of GIC. A Gordon official declined yesterday to spell out the precise distribution of the remaining 50 per cent. GIC has a total capital base of some C$400m.

GIC and the Li group are at risk in the Columbia junk bond deal to a maximum of their US$300m downpayment. The remaining $2.7bn has been covered with a 10.5 per cent note, which Gordon America will pay down either through income generated by the securities in the portfolio or through sales of part of the portfolio.

If the junk bond market turns sour again with the value of the Columbia portfolio dropping by more than 10 per cent, Gordon can theoretically walk away from the investment, forfeiting its downpayment and returning the bonds to Columbia.

NEWS IN BRIEF

Deal signed to produce ICI drug at Czech plant

AN AGREEMENT to produce Tenormin, ICI's top selling heart drug, in Czechoslovakia was signed yesterday in London, writes Our Financial Staff.

Mr Jaroslav Kolar, general director of Lachema, a Czechoslovakian chemicals and pharmaceuticals manufacturer, and Mr John Mitchell, chairman of ICI East Europe, signed the agreement at ICI group HQ.

ICI Pharmaceuticals will provide formulation technology and supply atenolol, the drug's active ingredient, to Lachema to enable 4m tablets of Tenormin to be produced initially at Lachema's Brno factory.

■ Independent Newspapers, New Zealand's biggest publishing group controlled by News Corporation, yesterday disclosed a net profit of NZ$21.2m ($12.4m)for the year ended June, 1990, compared with NZ$20.6m for the previous 15-month period, writes Terry Hall.

The result was achieved despite redundancy costs of NZ$8.6m and losses – of NZ$8m before tax – at the recently acquired Auckland Star and Sunday Star. These titles are now operating profitably, the company said.

Mr Mike Robson, managing director, said redundancy costs were expected to fall sharply this year. He said the poorer performance in the second half was mainly due to seasonally lower revenue, problems with the Auckland Star and the launch of a new national colour magazine. Circulation of other papers was strong, he said.

■ Turkey is understood to be putting together rescue plans for troubled Metas, a private sector steel plant shut down in April, writes Jim Bodgener.

The company owes nearly TL200bn ($74.9m) to various banks, the largest creditor being quasi-state Turkiye Is Bankasi. The company's 1,800 workers, on mandatory yet paid holiday since the shutdown, have threatened a hunger strike from August 3 should the plant closed down permanently.

■ Westinghouse Electric of the US plans to buy the assets and trade name of privately-held Knoll International for an undisclosed amount of stock, making it the world's third largest producer of office furniture, Reuter reports.

Knoll, which employs about 2,800 people, designs, manufactures and markets modular office systems, office seating, desks and office accessories.

Philip Morris will not change terms of Suchard tender offer

By William Dullforce in Geneva

PHILIP MORRIS, the US tobacco and consumer products group, said yesterday that it had no intention of changing the terms and conditions of its tender offer to Jacobs Suchard shareholders.

A report from Bank Vontobel, Zurich, advising Suchard's shareholders to reject the bid was inaccurate and misleading, the US group said.

Separately, the Zurich district attorney's office said it had opened a formal investigation into possible insider trading in shares of the Swiss chocolate and coffee group before last month's announcement of the proposed acquisition.

The Philip Morris offer, worth SFr3.67bn ($2.64bn) to the minority shareholders, is valid until September 3. The US company will acquire 38.5 per cent of the equity and 64.5 per cent of the voting rights from Mr Klaus Jacobs, the majority shareholder, and from the purchase of 100,000 disposable bearer shares.

It is offering other shareholders SFr1,660 per registered share compared with the SFr6,645 paid to Mr Jacobs.

In a report released on Wednesday, Vontobel said that at a multiple of 13 times estimated 1990 earnings for the reorganised Suchard the price offered to the minority shareholders was too low.

The bank argued that Philip Morris needed an equity stake of 80 per cent to be able to take advantage of tax savings. It was "very probable" that, if its bid was not accepted, the US group would be forced to raise its offer.

But yesterday Philip Morris said it would not alter the conditions of its offer, regardless of possible US tax benefits.

Mr Guy Smith, vice president for corporate affairs, said that under US fiscal law a holding of 80 per cent or more could make possible certain "elections" but the calculations and decisions to determine whether or not advantages could be drawn could not be made until some time in 1991.

One Swiss analyst said Bank Vontobel's principal argument against the bid was that it was inadequate. He still believed that Philip Morris would change its mind, if it failed to secure 80 per cent of the stock by September 3.

BBV profits rise 12.9% in first half

By Tom Burns in Madrid

BANCO BILBAO VIZCAYA (BBV), Spain's largest bank group, yesterday announced a consolidated net profit of Pta48.7bn ($492m) for the first half of 1990, a 12.9 per cent increase on the Pta43.1bn profits in the same period last year.

BBV's net interest revenue grew by just 0.9 per cent to Pta171bn compared with the first half of 1989 due to what the bank termed a "restructuring of liabilities."

BBV said adjustments over the past six months ensured that in the future the bank's growth would not be affected by such factors.

The factors that had made an impact on the BBV balance sheet included credit ceilings imposed by the economy ministry, and action by the fiscal authorities against one-payment life insurance policies.

The bank also said it had incurred increased costs due to its introduction in February of a high interest bearing account.

Such accounts, known as *supercuentas*, have narrowed the margins in all the banks that have introduced them.

Banco Central, second ranked Spanish bank in terms of customer deposits and one of the few institutions that has held back from the *supercuentas* war, announced a 18 per cent rise in first half pre-tax profits to Pta27.7bn and and a 19.2 per cent growth in its financial margin to Pta77.8bn.

Bond buy-back offer turned down

By Bruce Jacques in Sydney

THE BULK of US bond holders in Bond Brewing Holdings, the troubled Australian brewing group controlled by Mr Alan Bond, have officially refused a discounted buy-back offer.

Cede and Co, legal representative for 65 per cent of the bond holders, yesterday announced that the buy-back offer at 62 cents in the dollar had been rejected by its clients.

The buy-back offer was from Bond Corporation Holdings and its associate, Bell Resources, and called for the US bond holders to forfeit their rights to a US$32.5m interest payment.

The Cede announcement said the bond holders would continue their action in the Victorian Supreme Court on Monday, aimed at placing the Bond brewing operation into liquidation.

On Tuesday, Bond Corp shareholders are due to vote on a proposal to sell the breweries to Bell for about A$1.8bn (US$1.4bn). But there are doubts about the legal standing of the meeting because it does not meet the requirements of the Australian Stock Exchange.

The exchange is believed to have threatened to delist Bond Corp shares, which are already suspended from trading, if the meeting does not comply with listing rules calling for, among other matters, much more information.

Delisting would pose a further liquidation threat to Bond Corp because it would probably mean similar action on overseas exchanges where Bond Corp. debt securities are listed. Bond Corp's European creditors have also refused a discounted buy-back offer.

Mr Bond offered earlier this month to resign as the company's chairman, and one of his directors, Mr Peter Lucas, has openly talked of likely liquidation for the group.

Sallie Mae in talks to save HEAF

By Janet Bush in New York

THE Student Loan Marketing Association, popularly known as Sallie Mae, said yesterday that it was conducting talks with the Government aimed at finding ways of rescuing the Higher Education Assistance Foundation, the largest US guarantor of student loans, which is on the brink of financial collapse.

News of HEAF's financial troubles because of rising student loan defaults was one reason cited for the stock market's plunge last Monday and raised wider questions about the health of the student loan system at a time when credit is already the burning issue in Congress because of chaos in the thrift industry.

Among the options being considered is Sallie Mae taking over the foundation's portfolio of loans and being designated a guarantor by the Government.

Sallie Mae is a Washington-based company which is chartered by Congress to provide liquidity to the student loan market by buying loans and helping finance other buyers and lenders.

Reports of Sallie Mae's discussions with the Government prompted considerable concern within the student loan industry yesterday.

Other guarantors, which charge fees of up to 3 per cent of the loan's principal, argued that Sallie Mae should not act as guarantor as well as provide a secondary market for these loans, partly because the company is already too dominant in this area.

It is already the owner, or the source of funds, for more than half of the $51bn student loans outstanding.

Sallie Mae declined all comment on its discussions yesterday but noted that its charter allowed it to be designated a guarantor.

Its financial linkages with the foundation are twofold.

Firstly, Sallie Mae advanced about $800m to HEAF early last year, and secondly, between $2bn and $3bn in loans on Sallie Mae's balance sheet are guaranteed by the foundation.

Aetna's net profits up to $203.8m

By Karen Zagor in New York

AETNA Life and Casualty, the largest investor-owned US insurance company, yesterday reported second-quarter net profits of $203.8m or $1.82 a share, compared with $169.6m or $1.52 for the same period in 1989 – an increase of 20 per cent.

Results in both quarters, however, were distorted by extraordinary items.

The latest quarter included net realised-capital gains of $31m or 27 cents a share. The 1989 period included net realised-capital gains of $12m or 11 cents a share.

Net earnings from operations in the second quarter were $172.8m or $1.55 cents a share, 10 per cent above the $157.6 or $1.41 earned a year earlier. Aetna's quarterly revenues fell 7 per cent to $3.18bn from $3.42bn.

Mr James Lynne, Aetna's chairman, said the company had significantly better group insurance results.

"However, our commercial insurance and reinsurance results continue to reflect a soft pricing environment and our personal auto insurance business is still suffering from high loss costs and inadequate rates," he said.

In the first half of 1990, Aetna made net profits of $383.6m or $3.43 a share, a 12 per cent improvement on the $343.2m or $3.04 report the year before.

IBM plans to reshape European organisation

By William Dawkins in Paris

INTERNATIONAL Business Machines (IBM) is to reshape its European organisation to give national managers international responsibility for the business sectors in which they are strongest.

The move aims to bring decision making closer to customers, an aim in common with IBM's much more radical re-organisation of its US businesses at the end of the 1980s, the company said.

It is also a response to the way in which the development of the European single market is making national markets more international. IBM's European sales rose by 7.3 per cent to $21.6bn last year, about a third of the group total.

The move means Mr Hans-Olaf Henkel, president of IBM Germany, takes charge of mainframes – where Germany is Europe's biggest market – and industrial customers. Mr Anthony Cleaver, president of IBM UK, takes charge of personal computers and AIX systems, IBM's version of the Unix software system, while Mr Ennio Presutti, president of IBM Italy, takes over middle range business computers, government and public sectors and scientific and technical computing solutions.

Mr Pierre Barazer, president of IBM France, takes charge of European communications systems, a reflection of the strength of the French telecommunications industry. The remaining pan-European functions, such as production, deliveries and financing services, will be handled by Mr John Cunningham, director of planning and technical services for IBM Europe.

About 170 job functions now based at IBM's roughly 1,750-strong European headquarters in Paris will be shifted to West Germany, Britain and Italy over the next two years. That does not necessarily mean the executives now in those jobs will be transferred, since the posts could be filled by IBM staff already in those countries or transferred from elsewhere, the company said.

The remainder will move to IBM France, where they will be mostly occupied backing up their old organisation, IBM Europe, which will continue to set strategy and business objectives for the national units.

No direct job cuts are planned, though the European workforce might shrink slightly because of more efficient use of staff, IBM said.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1990	Low 1990
Gold per troy oz.	$367.50	-8.25	$371.75	$420.25	$345.75
Silver Per troy oz	265.25p	-2.70	320.75p	323.50p	264.55p
Aluminium 99.7% (cash)	$1672	+116	$1744	$1672	$1380.0
Copper Grade A (cash)	£1567.5	+74.5	£1547	£1747.5	£1304.5
Lead(cash)	£457.0	-11.5	£427	£790	£413
Nickel (cash)	$9500	-500	$12050	$10225	$6075
Zinc SHG (cash)	$1562.5	-10	$1697.5	$1869	$1250
Tin (cash)	$6060	+20	£9562.5	$7020	$5945
Cocoa Futures (Sep)	£775	+20	£874	£967	£622
Coffee Futures (Sep)	£558	-2	£820	£757	£553
Sugar (LDP Raw)	$286.8	+0.4	$357	$386.4	$279.80
Barley Futures (Nov)	£115.50	+1.20	£107.30	£116.45	£103.45
Wheat Futures (Nov)	£116.80	+1.55	£108.60	£123.45	£111.00
Cotton Outlook A Index	90.55c	-0.05	83.90c	92.70c	73.70c
Wool (64s Super)	458p	-16	603p	580p	458p
Oil (Brent Blend)	$19.525y	+0.775	$17.91	$21.975	$15.575

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. y-September

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.05-7.15y	+.175
Brent Blend	$19.50-9.55y	+.175
W.T.I. (1 pm est)	$20.32-0.34y	-0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$261-263	
Gas Oil	$179-180	+4
Heavy Fuel Oil	$74-77	
Naphtha	$165-167	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$367.50	-1.00
Silver (per troy oz)♣	484c	-2
Platinum (per troy oz)	$475.50	-0.25
Palladium (per troy oz)	$117.25	+0.25
Aluminium (free market)	$1685	+70
Copper (US Producer)	126.0c	
Lead (US Producer)	50.0c	
Nickel (free market)	436c	-10
Tin (Kuala Lumpur market)	16.02r	+0.05
Tin (New York)	284c	
Zinc (US Prime Western)	87.5c	
Cattle (live weight)†	104.61p	-0.95*
Sheep (dead weight)†	144.17p	-8.17*
Pigs (live weight)†	80.41p	-3.49*
London daily sugar (raw)	$286.8z	-3.8
London daily sugar (white)	$375.0z	+1.5
Tate and Lyle export price	£288.0	-3.5
Barley (English feed)	£109.75w	
Maize (US No. 3 yellow)	£160w	
Wheat (US Dark Northern)	Unq.	
Rubber (Sep)♥	52.00p	-0.25
Rubber (Oct)♥	52.50p	-0.25
Rubber (KL RSS No 1 Aug)	234.5m	+0.5
Coconut oil (Philippines)§	$275z	
Palm Oil (Malaysian)§	$277.5w	
Copra (Philippines)§	$200.0y	-2.5
Soyabeans (US)	£150 .	
Cotton "A" Index	90.55c	
Wooltops (64s Super)	458p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. t-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	257.40	254.20	257.20 255.00
Oct	256.60	254.20	257.00 254.00
Dec	266.00	264.80	255.00 250.00
Mar	246.60	244.20	246.80 244.60
May	247.20	244.60	247.00 244.80
Aug	246.60	245.60	245.60
Oct	246.00	243.80	244.40
White	**Close**	**Previous**	**High/Low**
Oct	321.2	316.0	321.0 318.5
Dec	314.5	310.0	313.0 312.5
Mar	314.0	310.0	314.0 311.0
May	315.5	312.0	314.5 313.0
Aug	318.0	316.0	
Oct	309.0	307.0	

Turnover: Raw2152 (2022)lots of 50 tonnes. White 556 (445)
Paris- White (FFr per tonne): Oct 1730, Dec 1705 Mar 1715, May 1730, Aug 1745

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Sep	19.50	19.26	19.70 19.37
Oct	19.75	19.45	19.92 19.47
Nov	19.86	19.66	20.05 19.55
Dec	19.89	19.75	20.05 19.81
IPE Index	19.14	19.61	

Turnover: 8285 (9197)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Aug	179.00	175.00	179.75 176.00
Sep	179.50	176.00	179.75 176.00
Oct	180.75	176.25	181.25 178.00
Nov	181.50	178.00	182.00 180.00
Dec	183.50	178.50	183.75 181.25
Jan	183.00	179.00	183.00 179.50
Feb	179.00	176.00	179.00 178.50
Mar	171.00	168.75	171.00
Apr	170.00	165.00	173.00 170.00

Turnover 9616 (8123)lots of 100 tonnes

SPICES
Unrealistic price differences between white and black pepper have been partly corrected over the past fortnight, reports Man-producten. White pepper prices started to climb some 10 per cent from the low of US$1,475 to $1,625 a tonne cif, prompt shipment from origin on shortcovering and speculative activity in Indonesia, at present the dominant supplier. European spice industry welcomes recovery but has not shown much buying support. Black pepper prices suffered from heavier selling pressure from all major origins and prices declined. Both Sarawak and Brazil are offering at about $1,400 cif,prompt shipment.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	770	757	769 769
Sep	775	771	786 770
Dec	800	803	813 796
Mar	823	830	842 818
May	845	850	857 845
Jul	863	868	878 873
Sep	882	888	896 881

Turnover: 6347 (2954) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 26 1008.06 (999.48) 10 day average for Jul 27 991.81 (988.91)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jul	539	536	549 538
Sep	558	557	570 555
Nov	578	577	580 578
Jan	599	598	610 598
Mar	618	616	628 617
May	634	635	647 634
Jul	653	654	653

Turnover: 2270 (2566) lots of 5 tonnes
ICO indicator prices (US cents per pound) for July 26: Comp. daily 69.32 (68.29). 15 day average 67.95 (67.95)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	125.5	122.6	127.0 122.0
May	137.0	132.5	138.0 136.5

Turnover 315 (151) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Oct	110.00	109.50	110.00

Turnover 20 (27) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Jul	1148	1148	1150
Aug	1152	1175	1170 1158
Oct	1265	1275	1268 1253
Jan	1275	1290	1275
Apr	1290	1285	1290
BFI	1157	1150	

Turnover 140 (141)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Sep	112.75	112.65	112.75 112.35
Nov	116.80	116.60	116.80 116.50
Jan	120.80	120.80	
Mar	124.10	123.95	123.85 123.60
May	127.35	127.25	
Barley	**Close**	**Previous**	**High/Low**
Sep	111.35	111.50	111.30 111.25
Nov	115.50	115.65	115.55 115.40
Jan	119.05	119.15	119.10 118.75
Mar	122.05	122.15	122.05 122.00

Turnover: Wheat 137 (176), Barley 162 (318). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	112.0	113.0	111.5
Oct	113.0	113.5	
Nov	112.0	112.0	

Turnover 5 (45) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 25,454 lots
Cash	1670-4	1597-600		1680-5		
3 months	1693-5	1626-7	1707/1630	1700-2	1694-6	43,424 lots
Copper, Grade A (£ per tonne)						Total daily turnover 45,362 lots
Cash	1565-70	1546-8	1575/1565	1574-5		
3 months	1534-6	1521-2	1570/1517	1539-40	1533-4	85,583 lots
Lead (£ per tonne)						Total daily turnover 1,291 lots
Cash	458-8	459-61	462/462	461-2		
3 months	482-3	466-6.5	473/462	466-7	462-4	10,766 lots
Nickel ($ per tonne)						Total daily turnover 1,582 lots
Cash	9475-525	9525-75	9460/9425	9400-25		
3 months	9415-25	9450-75	9600/9375	9375-400	9400-50	9,569 lots
Tin ($ per tonne)						Total daily turnover 341 lots
Cash	6055-65	6040-55	6065/6065	6065-70		
3 months	6175-80	6180-70	6180/6170	6170-80	6175-80	5,141 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 2,932 lots
Cash	1560-5	1582-5	1583/1583	1583-4		
3 months	1521-4	1543-8	1547/1520	1541-2	1528-7	18,836 lots

LME Closing £/$ rate: SPOT: 1.8355 3 months: 1.8050 6 months: 1.7807 9 months: 1.7577

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	367¼-367¾	200¼-200¾
Opening	368¼-369¼	203-203½
Morning fix	368.50	202.328
Afternoon fix	366.75	200.005
Day's high	370-370½	
Day's low	366¼-366¾	

Coins	$ price	£ equivalent
Mapleleaf	376-381	205-208
Britannia	376-381	205-208
US Eagle	376-381	205-208
Angel	376-381	205-208
Krugerrand	367-370	200-202
New Sov.	86-88	47-48
Old Sov.	86-88	47-48
Noble Plat	481.20-488.85	263.40-267.55

Silver fix	p/fine oz	US cts equiv
Spot	265.25	483.65
3 months	275.20	493.55
6 months	285.30	503.90
12 months	303.90	524.10

TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
500	58	87	2	9
550	21	53	15	25
600	4	29	48	51
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
750	40	86	15	36
800	16	60	41	60
850	5	42	80	92

Brent Crude	Sep	Oct	Sep	Oct
1900	73	107		
1950	29			67
2000	30	44		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	367.8	369.3	0	0
Aug	368.0	369.5	370.8	365.8
Sep	369.9	371.5	372.0	372.0
Oct	372.2	373.8	374.7	369.8
Dec	376.6	378.3	379.6	374.5
Feb	380.9	382.7	382.0	378.5
Apr	385.0	386.9	387.0	383.5
Jun	389.4	391.4	0	0
Aug	393.6	395.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	474.2	477.3	0	0
Oct	479.9	481.4	483.5	478.5
Jan	485.3	486.8	489.5	487.0
Apr	490.7	492.2	495.0	490.0
Jul	496.1	497.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	483.1	485.0	485.0	480.0
Aug	483.2	485.2	0	0
Sep	487.0	489.0	489.4	483.0
Dec	497.7	499.9	500.0	493.5
Jan	500.3	502.6	0	0
Mar	507.9	510.2	511.5	506.0
May	514.8	517.0	514.0	513.0
Jul	521.6	523.9	521.0	518.5
Sep	529.3	531.3	0	0
Dec	540.4	542.3	541.5	541.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	126.80	125.50	130.50	125.80
Aug	126.70	124.15	127.70	125.90
Sep	125.90	122.90	126.60	124.60
Oct	123.70	120.95	123.90	122.70
Nov	121.55	118.65	121.10	120.80
Dec	118.80	115.80	119.20	117.75
Jan	117.00	114.00	116.70	115.30
Mar	113.10	110.10	113.00	112.50
Apr	111.45	109.45	111.30	111.30
May	109.80	106.80	109.40	108.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	20.36	20.30	20.50	20.25
Oct	21.13	21.00	21.27	21.00
Nov	21.52	21.31	21.62	21.40
Dec	21.72	21.44	21.76	21.55
Jan	21.68	21.42	21.73	21.63
Feb	21.64	21.40	21.65	21.50
Apr	21.53	21.38	21.70	21.40

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	5805	5732	5850	5760
Sep	5910	5851	5960	5885
Oct	6005	5942	6050	5980
Dec	6205	6136	6245	6165
Feb	6130	6067	6160	6095

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1291	1275	1307	1286
Dec	1331	1313	1342	1325
Mar	1368	1350	1380	1362
May	1387	1374	1403	1386
Jul	1408	1391	1421	1418
Sep	1428	1413	1444	0
Dec	1458	1443	1475	1475

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	91.75	90.85	91.90	89.95
Dec	95.15	94.50	95.45	93.75
Mar	97.80	97.50	98.50	97.00
May	98.65	99.25	0	99.25
Jul	100.40	101.00	102.00	0
Sep	102.65	103.25	102.75	102.25
Dec	105.00	105.75	105.00	105.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	11.38	11.37	11.46	11.37
Mar	11.05	11.03	11.11	11.02
May	11.05	11.06	11.13	11.02
Jul	11.07	11.04	11.11	11.05
Oct	11.04	11.05	11.06	11.05

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	77.38	77.70	77.75	77.25
Dec	73.38	73.71	73.75	73.15
Mar	74.25	74.58	74.60	74.10
May	74.60	74.98	74.85	74.51
Jul	74.19	74.90	74.37	74.37
Oct	69.95	69.65	70.20	70.20
Dec	68.00	67.66	68.00	67.90

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	174.40	176.20	177.60	174.25
Nov	164.95	166.60	167.20	164.10
Jan	160.45	162.55	161.60	160.00
Mar	160.05	162.05	160.50	160.50
May	159.55	161.65	0	0
Jul	159.55	161.65	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul 27	Jul 26	mnth ago	yr ago
1805.6	1798.0	1882.4	1923.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 26	Jul 25	mnth ago	yr ago
Spot	132.81	132.30	132.87	130.93
Futures	132.26	131.81	132.46	129.07

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	584/4	592/4	594/6	582/0
Sep	589/2	598/2	600/0	586/6
Nov	599/4	609/2	611/0	596/0
Jan	610/4	620/4	621/4	607/4
Mar	621/2	632/0	633/4	619/4
May	628/2	639/4	640/0	626/0
Jul	634/0	645/4	646/0	632/0
Aug	631/4	635/0	635/0	631/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	23.81	23.79	24.01	23.69
Sep	23.83	23.79	24.05	23.74
Oct	23.86	23.92	24.10	23.80
Dec	23.86	23.87	24.07	23.76
Jan	23.85	23.92	24.10	23.88
Mar	23.85	23.95	24.22	23.85
May	23.86	23.96	24.20	23.86
Jul	23.90	23.95	24.15	23.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	168.1	171.1	171.5	167.4
Sep	169.6	172.9	173.0	169.6
Oct	170.5	174.1	174.2	170.0
Dec	173.9	177.6	177.9	173.2
Jan	174.7	178.7	179.0	174.7
Mar	178.0	181.5	180.5	177.0
May	178.8	182.0	181.5	178.5
Jul	181.0	183.0	182.5	181.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	262/4	263/4	266/0	261/2
Dec	258/4	258/6	260/0	255/6
Mar	263/2	265/6	266/6	262/6
May	269/2	271/0	272/4	268/0
Jul	271/4	273/2	275/4	271/0
Sep	265/0	266/4	267/0	265/6
Dec	260/0	261/0	262/4	261/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	298/4	301/6	304/4	298/2
Dec	315/2	318/2	320/6	315/0
Mar	323/6	326/4	329/0	323/4
May	322/4	325/0	328/0	322/4
Jul	319/2	321/4	326/0	319/2
Sep	323/6	328/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	77.95	77.65	78.02	77.52
Oct	78.97	78.47	78.60	78.15
Dec	77.15	77.37	77.47	77.10
Feb	76.65	76.77	76.97	76.50
Apr	77.05	77.10	77.25	77.00
Jun	74.50	74.55	74.60	74.45
Aug	72.80	73.02	73.15	72.80

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	60.12	60.12	60.25	59.52
Oct	53.42	53.57	53.55	52.80
Dec	52.17	51.82	52.27	51.32
Feb	49.80	49.45	49.85	48.90
Apr	46.40	46.27	46.60	46.05
Jun	50.30	50.05	50.40	49.90
Jul	50.70	50.40	50.70	50.15
Aug	49.00	48.75	49.00	48.55

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	49.72	48.85	50.10	48.50
Feb	54.07	54.35	54.85	53.45
Mar	53.85	54.12	54.25	53.30
May	54.02	54.40	54.60	53.70
Jul	53.60	54.60	0	53.60

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar down, but pound rises

THE DOLLAR weakened on disappointment at lower than expected growth in US Gross National Product. Second quarter GNP grew at a rate of 1.2 per cent, against a downward revision to 1.7 per cent in the first quarter. Analysts expected second quarter growth to be around 1.6 per cent, and the disappointing figure led to selling of the dollar against all major currencies.

At the London close the dollar was hovering around a technical support level against the Japanese yen, finishing at Y149.60, compared with Y150.45 on Thursday. The US currency also fell to DM1.6145 from DM1.6225; to SFr1.3680 from SFr1.3770; and to FFr5.4075 from FFr5.4350. According to the Bank of England the dollar's index declined to 65.1 from 65.4.

Sterling moved up sharply, gaining momentum from one large buying order against the D-Mark, estimated at around DM500m. Dealers said the bulk of the order was fulfilled by selling D-Marks against dollars, which were then exchanged for pounds. Trading was thin, exaggerating the impact of the order. No fresh economic factors have emerged since the UK trade figures on Monday, but high London interest rates remain attractive at a time when nervousness surrounds several currencies, including the D-Mark.

Sterling gained 2 pfennigs to DM2.9625. It also rose 2.10 cents to $1.8345, while climbing to FFr9.9200 from FFr9.8575; to SFr2.6100 from SFr2.4975; and to Y274.50 from Y272.75. On Bank of England figures the pound's index rose 0.8 to 93.9.

The Spanish peseta traded nervously. It remained around its ceiling against the weaker members of the European Monetary System, but lost some ground on speculation about a possible cut in Spanish interest rates. Towards the end of the day the peseta recovered after the Bank of Spain drained liquidity from the domestic banking system to halt a slide in money market interest rates. Mr Pierre Beregovoy, French Finance Minister, has called on EMS countries with high yielding currencies, such as Spain, to cut rates and the Bundesbank has also suggested that this could be a way of deducing pressure on the system. The Bank of Spain is reluctant to oblige, because of high inflation.

At the Paris fixing the Spanish currency fell to FFr5.4585 from FFr5.4730 per 100 pesetas, but at the London close had rallied to FFr5.4675. In Frankfurt the peseta declined to DM1.6270 from DM1.6330 per 100, but finished at around DM1.6325 in London.

The lira, another high yielding EMS currency, weakened against the D-Mark and French franc, but dealers saw no evidence that this was a direct response to a crisis within the Italian coalition government.

£ IN NEW YORK

July 27	Latest	Previous Close
£ Spot	1.8375-1.8385	1.8145-1.8155
1 month	1.04-1.03pm	1.05-1.03pm
3 months	3.01-2.98pm	3.04-3.01pm
12 months	9.97-9.87pm	10.04-9.94pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8135 - 1.8350	1.8340 - 1.8350	1.05-1.03cpm	6.80	3.06-3.03pm	6.64
Ireland†	1.6510 - 1.6620	1.6610 - 1.6620	0.37-0.32cpm	2.49	1.06-0.96pm	2.43
Canada	1.1510 - 1.1545	1.1520 - 1.1530	0.50-0.52cdis	-5.31	1.47-1.51dis	-5.17
Netherlands	1.8165 - 1.8310	1.8200 - 1.8210	0.01-0.03cdis	-0.13	0.10-0.13dis	-0.25
Belgium	33.15 - 33.45	33.25 - 33.35	2-5cdis	-1.26	7-12dis	-1.14
Denmark	6.14½ - 6.18	6.15¼ - 6.15¾	0.95-1.15oredis	-2.05	2.80-3.30dis	-1.98
W Germany	1.6110 - 1.6245	1.6140 - 1.6150	par-0.02pfdis	-0.07	0.06-0.09dis	-0.19
Portugal	142.75 - 143.45	143.35 - 143.45	43-53cdis	-4.02	165-195dis	-5.02
Spain	98.85 - 99.75	98.85 - 98.95	52-59cdis	-6.73	154-168dis	-6.31
Italy	1180 - 1189¼	1181¾ - 1182¼	3.00-3.50liredis	-3.30	9.00-9.80dis	-3.18

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

CURRENCY RATES

CURRENCY MOVEMENTS

POUND SPOT - FORWARD AGAINST THE POUND

EMS EUROPEAN CURRENCY UNIT RATES

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.8345	1.8241	1.8041	1.7768	1.7355
D-mark	2.9625	2.9459	2.9147	2.8736	2.8134
French Fr.	9.9200	9.8790	9.7995	9.6956	9.5575
Swiss Fr.	2.5100	2.4979	2.4743	2.4418	2.3843
Yen	274.50	272.81	269.70	265.55	259.02

FINANCIAL FUTURES AND OPTIONS

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
July	1974.0	1962.0	-22.5	1975.0	1952.5	3,214
August	1987.0	1975.0	-24.0	1987.0	1968.0	3,060
September	1998.0	1968.0	-24.5	1998.0	1968.0	279
December	-	-	-	-	-	0

Estimated volume 7,027 Total Open Interest 6,553

BANK RETURN

BANKING DEPARTMENT	Wednesday July 25, 1990	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	41,024,796	+ 1,988,092
Bankers Deposits	1,738,870,127	+ 101,606,419
Reserve and other Accounts	1,873,536,508	- 79,235,725
	3,667,984,431	+ 24,358,786
ASSETS		
Government Securities	1,388,878,738	- 64,785,000
Advance and other Accounts	841,711,012	+ 268,746,248
Premises Equipment & other Secs	1,414,961,305	- 183,000,352
Notes	12,211,027	+ 3,384,547
Coin	224,349	+ 13,343
	3,667,984,431	+ 24,358,786
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	15,887,788,973	+ 26,615,453
Notes in Banking Department	12,211,027	+ 3,384,547
	15,900,000,000	+ 30,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	11,323,691,530	- 784,882,643
Other Securities	4,565,293,370	+ 814,882,543
	15,900,000,000	+ 30,000,000

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Slightly softer tone

INTEREST RATES had a slightly softer tone in London yesterday as sterling gained ground on the foreign exchanges. Three-month interbank was unchanged at 15-14$\frac{15}{16}$ per cent and 12-month money eased to 14$\frac{9}{16}$-14$\frac{7}{16}$ per cent from 14⅝-14½. Short sterling futures were firmer on Liffe, with prices rising as the pound improved. December delivery opened lower at 86.05, but closed around the top of the day's range at 86.17 compared with 86.08 previously.

UK clearing bank base lending rate 15 per cent from October 5, 1989

Day-to-day credit was in very short supply on the money market. The Bank of England initially forecast a shortage of £1,000m, but revised this to £1,100m in the afternoon. Total assistance of £979m was provided.

An early round of help was offered and at that time the authorities bought £292m bank bills outright, in band 2 at 14¾ per cent. Before lunch another £392m bank bills were purchased, in band 2 at 14¾ per cent. In the afternoon the Bank of England bought £295m bank bills in band 1 at 14⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £296m, with Exchequer transactions absorbing £110m, a rise in the note circulation £530m, and bank balances below target £80m.

At the weekly Treasury bill tender the average rate of discount rose to 14.3317 from 14.3188 per cent. The top accepted rate of discount was unchanged at 14.3393 per cent. This was equal to a price of £96.425 and bids at that level received around 49 per cent of the amount applied for. The £500m bills on offer attracted bids of £2.065m, compared with £1.668bn for a similar amount last week.

The average rate of discount on £200m of 182-day bills fell to 13.7079 from 13.7309 per cent. These met applications of £1.245bn, against £936m for the same number of bills last week. Next week another another £500m of 91-day bills and £200m of 182-day bills will be on offer.

In New York the Federal Reserve added temporary funds to the money market, via $1.5bn of customer repurchase agreements. Federal funds were trading at the assumed target rate of 8 per cent.

In Amsterdam the Dutch Central Bank left its special advances rate to the money market unchanged at 8 per cent, when offering three-day funds from Monday.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES–Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers–compounded annual rate. Int Cr frequency interest credited

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 1860

Guaranteed Export Finance Corp PLC 12¾% Gtd Ln Stk 2002(Reg) – £103⅛

Corporation and County Stocks
No. of bargains included 9

Greater London Council6¼% Stk 90/92 –

Mitsubishi Trust & Banking Corp Shs of Com Stk Y50 – Y1600 (25Jy90)

National Westminster Bank PLC7% Cum Prf £1 – 56 7 (25Jy90)

9% Subord Uns Ln Stk 1993 – £97

12½% Subord Uns Ln Stk 2004 – £97⅜ ½ ¼ ⅝

Royal Bank of Scotland Group PLC5½% Cum Prf £1 – 55 (23Jy90)

Standard Chartered PLC12⅞% Subord Uns Ln Stk 2002/07 – £92⅝ ⅜ ½

Corton Beach PLC7.5p (Net) Cnv Cum Red Prf 10p – 45

Dakota Group PLC Ord Ir£0.25 – I£0.35 (25Jy90)

Darby Group PLC Ord 5p – 120

Gibbs Mew PLC Ord 25p – 277 (25Jy90)

Great Southern Group PLC6.75p Cum Cnv Red Prf 5p – 78

Levercrest PLC Ord 5p – 113 (24Jy90)

Midland & Scottish Resources PLC Ord 10p – 135 8

Oliver Resources PLC Warrants to sub for Ord – 5

Pathfinders Group PLC Ord 5p – 4⅜ (24Jy90)

Savage Group PLC8.5% (Net) Cum Red Cnv Prf £1 – 25 (25Jy90)

SelecTV PLC Ord 1p – 8½ (24Jy90)

Tullow Oil PLC Warrants to sub for Ord – 3¾ 4

Vistec Group PLC Ord 1p – 7 ½ 8

Xtra-Vision PLC Ord Ir£0.05 – I£0.38♦

The Third Market Appendix
No. of bargains included 82

Leading Leisure PLC New Ord 5p – 14 (25Jy90)

Rule 535(2)
No. of bargains included 31

African Gold PLC Ord 1p – £0.09 0.1 (25Jy90)

Ann Street Breweries Co Ld Ord £1 – £5⅝ (23Jy90)

Arsenal Football Club Ld Ord £1 – £3550

Brown(A.)& Sons PLC Ord 5p – £0.58 (24Jy90)

Conister Trust Ld Ord 25p – £0.72 (20Jy90)

Dundee Football Club PLC7% Cum Prf £1 – £4 (20Jy90)

Eastbourne Waterworks Co2.8% Ird Prf £5 – £20 (24Jy90)

Guernsey Gas Light Co Ld Ord £1 – £5

Guiton Group Ld Ord 10p – £2.35 2.55

Le Riche's Stores Ld Ord £1 – £4

M&M Britannia International Ld Japan Income & Growth – £1.876

Manchester United Football Club Ld Ord £1 – £20

Merrett Hldgs PLC Ord 10p – £0.82 (24Jy90)

Newspaper Publishing PLC Ord 1p – £4⅜ (20Jy90)

Westabix Ld"A" Non.V Ord 25p – £5.6 5.6 5.95 6⅛

Yates Bros Wine Lodges PLC Ord 25p – £2.42♦ 2.45♦

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Beach Petroleum A$0.045 (23.7)
Boral Ord Stk 152 (25.7)
Cape Range Oil A$0.17,0.171,0.18 (23.7)
City Developments S$3.8
Cons. Modderfonteins R2.2
Conwest Exp Class 'B' C$14.59
Dainippon Screen Manufacturing Y1860.59 (23.7)
Email Ord Stk A$3.42756,3.43616 (20.7)
Enterprise Gold Mines A$0.03935,0.04934 (23.7)
Harland (John H) Co $12.80♦ (25.7)
Highveld Steel & Vanadium R16½
Kern Corp A$0.65,0.65293 (20.7)
Kerr Addison Mines 825♦ (24.7)
Keystone International $27¾♦
Kulim Malaysia Ord (Malay Ord) 40♦
Malaysian Plantations M$1.36602 (23.7)
National Electronics (Consolidated) 4½, 5½
Niugini Mining A$2.0336 (20.7)
Nixdorf Comps AG DM348¼
North Flinders Mines 135♦
Oil Search 25 (24.7)
Olimet 13 (25.7)
Overseas Chinese Banking Corp S$10.40,10.4572 (24.7)
Patrick Petroleum $4.30♦ (25.7)
Regal Hotels (hldgs) 13½, 15
Selangor Coconuts 30♦
Sherritt Gordon Mines C$8.175
Singapore Land S$15.15♦ (25.7)
Spargos Mining ¾
United Overseas Land S$2.098
Vam A$0.13
Vamgas A$2.588 (23.7)

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LONDON STOCK EXCHANGE

Firmer pound helps depress equities

A FIRM pound was added to the list of bearish pressures yesterday on a UK stockmarket still suffering from the effects of this week's batch of alarming corporate profits reports. Share prices rallied from an early setback but turned down again later and by the close the FT-SE Index was struggling to hold on another important support level. Trading volume was no better although once again there was support for a few special situation stocks.

The weakness in equities contrasted with a firm session in UK Government bonds which responded readily to the gain in sterling on reports that the Opec meeting in Geneva had settled on a $21 a barrel price for oil, implying a boost for Britain's North Sea earnings.

Account Dealing Dates		
*First Dealings:		
Jul 9	Jul 23	Aug 6
Option Declarations:		
Jul 19	Aug 2	Aug 16
Last Dealings:		
Jul 20	Aug 3	Aug 17
Account Day:		
Jul 30	Aug 13	Aug 28

*New-time dealings may take place from 8.30 am two business days earlier.

Government bonds opened firmly and extended their gains later as the pound made progress. By the middle of the session, gains on the longer dated Government issues ranged to a full point in places. Prices shaded off at the close, leaving the Treasury 9 per cent of 2008 with a net gain of ⅝ for a yield of 10.83 per cent.

Equities traded a nervously erratic pattern, plunging sharply in early trading in the face of overnight weakness in Tokyo and, to a lesser extent, in New York equities. Then the market staged a recovery as Lloyds Bank increased the dividend payment, a welcome change from the shocks delivered this week from the corporate sector. A rally in ICI from early weakness also helped equities.

London went into the lunchtime trading lull with a loss of only four Footsie points. However, the mood turned apprehensive ahead of Wall Street's opening, in part because of nervousness in the BAT Industries share price; BAT had fallen heavily in early trade after a ruling by a New Jersey Court that existing cigarette health warnings did not protect tobacco companies against personal injury claims.

Worries about Wall Street, soon confirmed by a fall of 9.16 points in the Dow Industrial Average in London hours, spread across the UK market. BAT shares close above the worst but ICI, also a Wall Street favourite, fell away again in London.

At the close, the FT-SE Index was 14 points down at 2,330.1, threatening another important resistance level. Mr Robin Aspinall of Hoare Govett said: "If 2,300 is clearly breached, a fall as far as 2,200 is on the cards".

The Footsie Index has lost 70 points this week as both domestic and transatlantic factors have turned sour. The first blow came on Monday when Wall Street suddenly collapsed. Concern in the London market increased as Reuters, Reed International and, finally ICI, regarded by many investors as the barometer of the UK market, turned in disappointing profits reports.

The market reacted to a rise in the oil sector to the agreement by OPEC ministers on a $21 a barrel reference price for OPEC production and the new output ceiling of 22.5m barrel a day.

September Brent added some 20 cents to $19.35 a barrel, having been as high as $19.65 earlier in the session.

Mr Steve Turner, oil analyst at Smith New Court described the new agreement as "the strongest for two years; OPEC discipline, with the implicit Iraqi threat in the background, is likely to be much better."

Shell, unsettled by the more bearish stance adopted by Kleinwort Benson and concern over figures from Shell Oil, expected late yesterday, ran back 5 to 474p on 4.1m. BP gave up 2 to 336½p on turnover of 4.1m shares.

Pilkington, one of the world's leading glass manufacturing specialists, came under heavy selling pressure after hints that Cazenove, the company's joint broker, had lowered its profits forecast for the group from £290m to £260m, although this was not confirmed.

Analysts from other investment houses have recently been cutting their expectations for Pilkington after a cautious statement from the group earlier this month. At the close Pilkington shares were 7 lower at 194p. Turnover expanded to 8.4m shares, including a cross of 1.5m shares early in the session.

Recent speculation of a possible bid for BAA was dented by the announcement "after-hours" on Thursday of the Bermuda-based ADT reducing its holding from 9 per cent to 8.2 per cent. Removal of the speculative froth in the BAA share price brought a close of 14 lower on the day at 451p. ADT meanwhile has increased its holding in Lep Group, slightly firmer yesterday at 193p, to 14.15 per cent.

BET stock was sold as profits were taken after Thursday's annual meeting. At this gathering, a leading analyst detected a note of caution over prospects for the group and thought it possible that some optimistic estimates of profits for the current period may need to be scaled back. The shares ended 7 down at 254p.

Scottish & Newcastle assumed prominence, rising 7 to 357p in the wake of some sizeable trades on the Inter-dealer broker screens. One securities house was noticeably bidding for stock but was reluctant to pay too higher prices. Grand Metropolitan recovered some of the ground lost earlier over the past few sessions, helped by speculation that disposal of the Express Dairy milk division could be announced shortly. GrandMet shares finished 3 higher on the day but 31 down over the five days at 640p.

Interim results from Lloyds Bank were described by Mr Robert Law, of Shearson Lehman Hutton, as "likely to be the pick of the sector." He said the interim dividend was "encouragingly good." Lloyds Bank shares, which dealer said had been helped by the better than expected 16 per cent hike in the dividend, settled a penny better at 299p.

Lloyds Bank's life assurance associate, Lloyds Abbey Life proved a minor disappointment to the market. Mr Youssef Ziai at UBS Phillips & Drew said the group's pre-tax profits were higher than expected but he labelled the same-again interim dividend "disappointing; the shares look set to consolidate." Lloyds Abbey closed 2 cheaper at 344p.

Saltire Insurance Investments jumped 5 to 73p after an announcement that the group was holding discussions with London Wall Holdings, which may lead to a merger.

Dixons fell 4 to 142p after Mr Nick Bubb at Morgan Stanley reduced his profit forecast to £71m from £83m, excluding the £10m windfall surplus from its produce insurance. Mr Bubb said the recent cautious statement on interest rates by Mr John Major, the Chancellor of the Exchequer, had caused him to reduce his forecast.

Boots remained a firm market after the recent positive annual general meeting. The shares closed 2 better at 298p. Storehouse gained 2 to 138p on US investment support with 5.9m shares changing hands.

Tate & Lyle fell 7 to 282p on investor unease after an announcement that Mr Larry Cunningham, the chief executive of Staley, its US cereal sweeteners and starches operation, had left the group.

Siebe pulled out of the recent steep decline to settle 9 up at 484p. Just before business closed the company announced that the US regulatory authorities had approved the purchase of Foxboro of the US.

But the decision by the Secretary of State to refer the proposed acquisition by Trelleborg AB of McKechnie's extruded products subsidiary to the Monopolies & Mergers Commission stunned both the company and the market. The news left shares of McKechnie down 9 at 270p.

Hill & Smith, the steel fabricator and stockholders, weakened 7 further 138p on the lower interim profits, while a poor first-half trading statement knocked 7 off Sycamore Holdings at 180p. Airsprung responded to Thursday's positive annual meeting with a gain of 5 to 110p.

Fears of a profits warning at Thorn-EMI prove unfounded and the shares, hit earlier in the week by a profits downgrading by BZW, rallied to close 12 higher at 720p.

David S Smith remained at 328p with analysts forecasting profits of around £30m for the current year, and a range of £35m to £45m for 1991/92: The loss of Nintendo distribution rights from the end of the year unsettled Serif Cowells, down 12 at 66p.

A line of 4.3m Wessex Water shares on the Seaq overnight ticker caused a flurry of anxiety in dealing rooms before the trade was revealed as being incorrect; it should have been 425,000 shares. Wessex settled 2 off at 225p.

Speyhawk eased 9 to 254p as at least 100,000 shares continued to overhang the market.

■ Other market statistics, including the FT-Actuaries Share Index, and London Traded Options, Page 9.

FINANCIAL TIMES STOCK INDICES

	July 27	July 26	July 25	July 24	July 23	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.71	79.07	78.99	79.53	79.43	87.18	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	83.28	88.08	88.08	88.38	88.23	97.23	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1842.1	1851.5	1865.7	1866.7	1867.1	1924.8	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	187.1	188.9	188.2	184.7	182.6	193.6	378.5 (8/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2330.1	2344.1	2384.7	2380.9	2359.7	2306.0	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.06	5.04	4.99	4.97	4.96	4.25				
Earning Yld %(full)	11.00	10.97	10.96	10.95	10.93	9.91				
P/E Ratio(Net)(☆)	11.04	11.08	11.04	11.07	11.10	12.13				
SEAQ Bargns 4.45pm	13,369	20,434	21,758	21,391	23,926	34,112				
Equity Turnover(£m)†	-	884.97	865.99	801.52	882.05	1487.92				
Equity Bargains†	-	20,638	21,032	21,092	23,956	37,485				
Shares Traded (ml)†	-	383.8	342.4	445.1	329.5	555.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.66

Ordinary Share Index, Hourly changes — Day's High 1849.7 — Day's Low 1839.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1845.1	1841.5	1842.2	1842.1	1849.2	1849.3	1847.5	1843.4	1842.9

FT-SE, Hourly changes — Day's High 2339.9 — Day's Low 2327.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2336.8	2331.2	2331.8	2332.5	2339.3	2339.3	2337.2	2332.3	2331.1

GILT EDGED ACTIVITY

Indices*	July 26	July 25
Gilt Edged Bargains	85.6	86.5
5—Day average	84.0	83.1

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	868	170		Courtaulds	880	370	+1	Manpower	361	73	-2	Smith (W.H.) A	178	359	-1
ASDA Group	1,200	120½		Dalgety	1,000	373	+6	Marks & Spencer	2,000	237	-4	Smith & Nephew	1,200	117½	-½
Abbey National	880	228½	-1½	Dixons	2,300	142	-4	Maxwell Comms.	1,000	184	+1½	SmKl Beecham	811	534	-2
Allied-Lyons	1,100	508	+2	ECC Group	777	415	+6	Mecca Leisure	120	80	-1	SmKl Beecham Units	5	2433	-30
Amstrad	223	68	+1	Enterprise Oil	1,200	661	-14	Midland Bank	1,100	294	-2	Smiths Inds.	572	218	-1
Anglian Water	813	233		FKI	40	71	-1	NatWest Bank	2,400	331	-2	South West Water	53	240	
Argos	375	235	-1	Ferranti	1,200	29	-1	Next	287	46		Southern Water	1,700	210	
Argyll Group	174	246	+1	Fisons	1,400	375	-5	North West Water	1,500	236		Standard Chartd.	260	429	-4
Ass. Brit. Foods	110	416	+1	Gen. Accident	315	508		Northern Foods	110	335		Storehouse	5,900	138	+2
BAA	3,000	451	-14	General Elect.	1,700	191	-½	Northumbrian Water	79	341	-1	Sun Alliance	876	319	-2
BAT Inds.	3,630	595	-15	Glaxo	635	828	+3	Pearson	107	742	-3	Sun Life	101	1163	-5
BET	2,300	254	-7	Glynwed Int.	217	289	-4	P & O	1,000	635	-6	T&N	25	175	-1
BICC	171	433	-1	Granada	946	225	+2	Pilkington	8,600	194	-7	TI Group	534	536	-2
BOC	527	572	-1	Grand Met.	1,700	640	+3	Polly Peck Intl.	703	458	+3	TSB	540	141	-1
BPB Inds.	1,200	217	-5	GUS A	263	1016	-15	Prudential	2,500	236	-4	Tarmac	1,430	265	-1
BTR	3,060	401	-4	GRE	616	224	+2	RHM	513	329	-1	Tate & Lyle	2,100	282	-7
Barclays	3,100	394	-8	GKN	2,200	397	-5	RMC	151	682	-1	Taylor Woodrow	382	278	+4
Bass	718	1120	+4	Guinness	741	803	+2	RTZ	1,900	558	-9	Tesco	1,500	238	
Beazer	127	164	-1	Hammerson 'A'	59	665	-5	Racal	1,800	198	+2	Thames Water	730	238	+1½
Berisford Int.	208	53	-1	Hanson	6,900	229	-4½	Racal Telecom	480	336	-7	THORN EMI	908	720	+12
Blue Circle	384	235	-2½	Hanson Warrants	447	57½	-1½	Rank Org.	123	765	-2	Trafalgar House	1,600	238	+5
Boots	982	298	+2	Harrisons Crosfield	828	169		Reckitt & Colman	33	1309	-4	Trusthouse Forte	535	298	-2
Brit. Aerospace	212	541	-2	Hawker Sidd.	181	653		Redland	580	630	-1	Ultramar	676	337	-1
British Airways	2,300	208	-2	Hillsdown	797	284	-1	Reed Int.	584	422		Unigate	470	315	-4
British Gas	1,800	213	-1½	IMI	141	252	-3	Reuters	731	1062		Unilever	930	896	-4
British Land	28	309	-1	ICI	1,300	1026	-14	Rolls Royce	2,000	215	-1	United Biscuits	172	351	
BP	4,100	336½	-2	Inchcape	308	270	-2	Rothmans	235	810	-14	Utd. Newspapers	144	355	
British Steel	8,200	140½	+½	Kingfisher	378	357	-1	Ryl Bk Scotland	56	169	-1	Water Package Uts.	0	£2325	
British Telecom	3,800	287½	-2	Ladbroke	1,400	320	-4	Royal Insurance	222	475		Wellcome	451	563	-4
Bunzl	20	81		Land Securities	350	625	+1½	STC	362	288	-1	Welsh Water	589	252	
Burmah Oil	458	654	-4	Laporte	458	545	-9	Saatchi	144	78	-2	Wessex Water	43	225	-2
Burton	1,300	89	-½	Legal & General	308	411	-7	Sainsbury	1,100	325	+1	Whitbread 'A'	930	453	+3
Cable & Wire.	1,500	512	+2	Lloyds Abbey	5,100	344	-2	Scottish & New.	1,800	357	+7	Wiggins Teape	653	215	+1
Cadburys	458	346	-3	Lloyds Bank	3,800	299	+1	Sears	1,900	94	+½	Williams Hldgs.	188	273	+2
Calor Group	137	253	-2	LASMO	848	440	-3	Sedgwick	182	228	-1	Willis Faber	24,000	245	+9
Carlton Comms.	298	440	+15	Lonrho	2,600	267	-2	Severn Trent Water	1,500	221	+1	Wimpey	515	242	
Coats Viyella	334	125	-1	Lucas	4,300	148	-2	Shell Transport	4,100	474	-5	Yorkshire Water	183	246	+1
Comm. Union	187	503	-2	MB Group	388	222		Siebe	151	484	+9				
Cookson	249	183	-7	MEPC	700	517	-2	Slough Ests	105	263	-3				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Big trades in Willis Faber

A series of unusually large trades in Willis Faber flashed up on the Seaq ticker in mid-afternoon, giving rise to speculation that a sizeable stake in the insurance broker had changed hands. Specialists quickly assumed that a near 5 per cent holding in Willis, held by US insurance broker Johnson & Higgins, had been placed in the market.

Observers said the Johnson stake had been placed by Cazenove, the stockbroker, at 245p a share, a premium of some 7p a share to the then ruling price. Cazenove declined to comment. The stock was sold within minutes, to various institutions, although the bulk said to have been sold to Tokyo Fire & Marine, the Japanese insurance group which has long-standing ties with Willis.

The market had expected Johnson & Higgins to sell its stake in Willis which, at the beginning of last month, surprised the insurance world and the market by announcing a £1bn merger with Corroon & Black, another of the big US insurance brokers.

Willis shares ended the day 9 higher at 245p, with turnover, boosted by the mid-afternoon share placing, which accounted for 23.6m shares, totalling 24m.

Enterprise down

The new Trade and Industry Secretary, Mr Peter Lilley, was partly responsible for a sharp decline in shares of Enterprise Oil. The shares fell steeply after the minister's written reply to a Parliamentary question had suggested that the UK Government intends to take a tougher stance against foreign state-controlled companies making acquisitions in the UK.

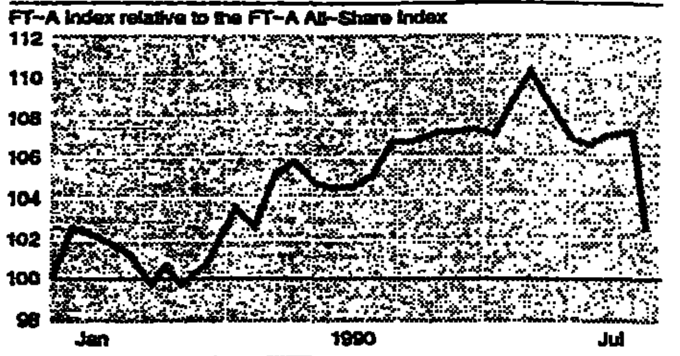
Elf, the French oil company in which the French Government has 51 per cent stake, has a near-25 per cent stake in Enterprise Oil, and the market has long expected the French company to launch a bid for the rest of the company. ICI, the UK chemicals group, also has a near 25 per cent holding in Enterprise.

Speculation that ICI will sell its stake on to Elf, or possibly place the shares in the market, has been rife in London for many months, although recently specialists have taken the view that ICI will retain its holding for the time being.

Enterprise shares tumbled to 647p at one point early yesterday, and were said to have been additionally upset by a broker's sell recommendation, but they later rallied to close a net 14 off at 661p. Turnover reached 1.2m, well up on usual levels for the stock.

Chemicals

FT–A index relative to the FT–A All–Share index



The chemical sector began to outperform the rest of the market in February after ICI produced its full year results. Good first quarter profits, announced in April, widened the gap still further. But after the fall in second quarter profits at ICI the chemical sector has begun to lose its lustre.

BAT setback

The tobacco stocks followed BAT Industries lower after a preliminary ruling in a US product liability case that health warnings on cigarette packets do not protect the manufacturers from legal action. The action had been brought against BAT's US tobacco division.

US tobacco stocks had fallen on the court decision and led to their UK equivalents being marked lower. Sterling's strength against the US dollar also contributed to the weakness.

Although the ruling did not follow the pattern of previous decisions, analysts stressed that so far there had been no findings of liability against BAT. According to a BAT spokesman, the company was considering asking the US Supreme Federal Court to review the decision.

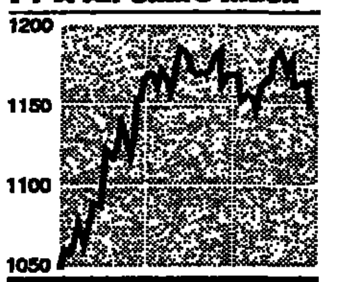
Many analysts said they believed the market had overreacted to the news and thought BAT would quickly stabilise. BAT closed 15 lower at 595p, while Rothmans "B" ended 14 off at 810p.

British Steel and Davy Corporation pursued divergent trends following the respective annual meetings yesterday. British Steel shares were bought heavily again – volume amounted to 8.2m – after the chairman told shareholders that the company's objective was to pursue a "progressive dividend policy" even if profits should be reduced as a result of a short-term fall in steel demand. He also said "there are signs that the UK economy is not going into recession." The shares rose to 142p before closing only slightly dearer on balance at 140½p.

Davy resumed the recent easier trend when shareholders were reminded that current year results will be adversely affected by the substantial additional interest costs on the Emerald Field contract. "The final outcome for the year depends greatly upon the completion of the contract in accordance with current estimates," warned the chairman. Davy shares, 250p before last month's interim figures, lost 6 to 191p.

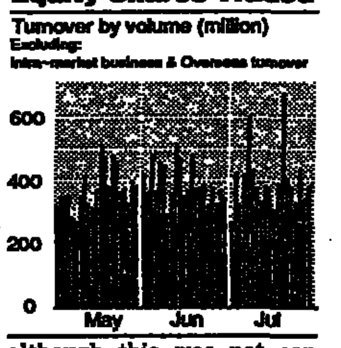
Specialists were surprised at the lack of response by the oil sector to the agreement by OPEC ministers (see above).

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (43).
BRITISH FUNDS (3) BREWERS (1) BUILDINGS (2) STORES (2) ELECTRICALS (4) ENGINEERING (1) FOODS (6) INDUSTRIALS (4) Airsprung, Simec Inds., Diploma, Hunsleigh Tech., LEISURE (3) PAPERS (2) TRUSTS (8) WATER (1) OILS (2).
NEW LOWS (88).
AMERICANS (13) CANADIANS (4) BANKS (6) CHEMICALS (1) ELECTRICALS (2) ENGINEERING (6) FOODS (2) INDUSTRIALS (17) Aukett Assocs., BSG Intl., CMB Packaging, Cowan de Groot, Dobson Park, Elders IXL, Lynx, Manpower, Marling Inds., Medeva, Norcros, Sale Tilney, Scot. Heritable Tst., Smiths Inds., Sothebys Class A, St. Gobain, Sycamore, INSURANCE (3) LEISURE (2) MOTORS (1) NEWSPAPERS (1) PAPERS (9) PROPERTY (3) SHOES (1) SOUTH AFRICANS (2) TEXTILES (2) TRANSPORT (1) TRUSTS (12) OILS (1) OVERSEAS TRADERS (1) MINES (3) THIRD MARKET (2).

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	88	0	10	273	107	110
Corps. Dom. & Foreign Bonds	5	0	17	17	12	83
Industrials	219	418	934	1,425	1,979	4,457
Financial and Props	70	236	436	594	1,000	2,116
Oils	10	39	39	124	126	190
Plantations	1	1	8	4	8	40
Mines	17	62	83	213	185	412
Others	30	116	97	289	413	516
Totals	440	872	1,634	2,939	3,828	7,924

LEADERS AND LAGGARDS

Percentage changes since December 29 1989 based on Thursday July 26 1990

Food Retailing	+	12.75	Capital Goods	-	5.62
Packaging & Paper	+	9.10	Health & Household Products	-	6.05
Brewers and Distillers	+	5.08	Investment Trusts	-	6.34
Insurance(Life)	+	2.18	Food Manufacturing	-	6.52
Stores	+	2.05	Telephone Networks	-	6.69
Water	+	1.43	Textiles	-	6.97
Engineering-General	+	1.40	Contracting,Construction	-	6.98
Metals & Metal Forming	+	1.10	Financial Group	-	7.56
Transport	+	0.67	Electronics	-	7.58
Conglomerates	-	0.32	Electricals	-	8.36
Building Materials	-	1.45	Motors	-	8.88
Chemicals	-	1.46	Merchant Banks	-	9.46
Consumer Group	-	1.83	Overseas Traders	-	9.77
Oil & Gas	-	2.99	Other Industrial Materials	-	9.85
500 Share Index	-	3.36	Publishing & Printing	-	10.16
Industrial Group	-	3.43	Property	-	11.04
Banks	-	3.85	Insurance(Composite)	-	13.31
Other Groups	-	3.89	Leisure	-	13.47
All Share Index	-	4.14	Insurance(Brokers)	-	19.42
Agencies	-	4.44	Gold Mines Index	-	38.89
Engineering-Aerospace	-	4.82			

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-24	+8/32	12.32	12.39	12.45
		10.500	5/99	93-05	+18/32	11.76	11.75	11.66
		9.000	10/08	85-18	+28/32	10.82	10.87	10.79
US TREASURY *		8.875	05/00	102-25	+9/32	8.45	8.47	8.53
		8.750	05/20	102-17	+10/32	8.51	8.54	8.51
JAPAN	No 119	4.800	6/99	85.3628	-0.220	7.55	7.40	7.18
	No 2	5.700	3/07	88.7089	-0.132	7.19	7.00	6.72
GERMANY		7.750	02/00	95.1500	+0.050	8.48	8.39	8.73
FRANCE	BTAN	9.000	02/95	97.2912	+0.160	9.73	9.84	10.00
	OAT	8.500	03/00	93.7900	+0.240	9.49	9.52	9.67
CANADA *		9.750	05/00	94.7000	+0.400	10.63	10.67	10.70
NETHERLANDS		9.000	05/00	101.7900	+0.050	8.71	8.64	8.90
AUSTRALIA		12.000	7/99	93.7347	-	13.21	13.14	13.53

London closing. *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Aluminium at 7½-month high

INDUSTRIAL RELATIONS remained the dominant influence on the London Metal Exchange this week. A Peruvian miners' strike lifted copper values and helped to prop up the basically weak zinc and lead markets; a brief smelter strike in Canada helped to boost aluminium prices; and nickel slipped back following the ending of a protracted stoppage in New Caledonia.

Despite Thursday's settlement of the labour contract dispute at Alcan Aluminium's 270,00 tonnes-a-year Kitimat smelter, where workers had walked of the job three days earlier, aluminium put in the strongest performance, with the uptrend accelerating yesterday. By the close of the afternoon ring cash metal was quoted at a 7½-month high $1,672 a tonne, up $73.50 on the day and $116 on the week.

Yesterday's rise was encouraged by the announcement of a 5,150-tonne fall in LME warehouse stocks to 158,025 tonnes, which wiped out a 4,350-tonne rise announced on Tuesday. However, concern about nearby supplies does not appear to be the main force behind the present upsurge. When that is the case the cash position moves to a premium over three months metal, but yesterday it was still trading at a discount of $22 a tonne to three months, down from $31.50 a tonne a week earlier.

Longer term considerations appear to be driving the aluminium market at the moment and many analyst believe that the price of the metal has been too low for some time. In a recent report the Anthony Bird consultancy group said aluminium's competitive position against copper, steel and plastics was better than for most of the last decade and that it should hang on to a competitive edge even when its prices recovered. It suggested that the current deficit of primary output against consumption would widen to 600,000 tonnes in 1992.

"The general rate of increase in (primary aluminium production) capacity is well below what will be needed to satisfy growing demand and to provide for the retirement of older smelters," Bird added.

In the meantime analysts point to the possibility of further output disruption resulting from North American labour contract negotiations in the second half of this year.

Copper's strong performance this week had more to do with near term concerns, as is evidenced by a widening in the cash premium over three months. The cash position's £74.50 rise this week took it to £1,567.50 a tonne at last night's close, while the three months quotation rose £65.50 on the week to £1,535 a tonne.

After a modest early fall the prices were boosted in mid-week by news that Australia's Olympic Dam mine was to be shut for two weeks following an explosion and the announcement on Tuesday of a smaller-than-expected 6,225-tonne rise in LME stocks.

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes		
Aluminium	-5,150	to 158,025
Copper	+17,225	to 84,975
Lead	-275	to 42,900
Nickel	-660	to 6,390
Zinc	+1,775	to 41,050
Tin	+115	to 11,405

Another bullish factor was nervousness about the possibility of a strike at Minero Peru where labour talks were in progress. The talks broke down on Thursday and most workers at the state minerals company, which runs the country's biggest copper and zinc refineries, downed tools immediately. That news appeared to outweigh yesterday's announcement of a bigger-than-expected 17,225-tonne rise in LME stocks to 84,975 tonnes and the cash price moved £20.50 higher on the day.

The zinc market also advanced initially on the Minero Peru news, but its soft tone was quickly reasserted and the cash price closed at $1,562.50 a tonne, down $21 on the day and $10 on the week. However, the cash premium widened to $40 a tonne from $31.50 at the end of last week.

Lead prices followed a similar pattern as buying interest dried up following early gains. The cash price closed at £457 a tonne, down £3 on the day and £11.50 on the week.

The nickel market held steady on Monday, despite news of the ending of the 4-week strike at Societe le Nickel in New Caledonia. Dealers explained that there was still concern that furnaces might have suffered damage during the stoppage. But the market then went into a relatively gentle decline and the cash position ended $500 down on the week at $9,500 a tonne.

The gold market clambered into a slightly higher trading range this week, with the help of renewed Middle Eastern buying interest. The price reached $372.50 a troy ounce on Wednesday but slipped back to close $6.25 up on the week at $367.50 a tonne. Traders said the earlier rise appeared to have reflected short-covering rather than fresh buying.

Richard Mooney

APPOINTMENTS

Senior post at Taylor Woodrow

Mr John McKenna (pictured) has been appointed a joint deputy managing director of TAYLOR WOODROW CONSTRUCTION. He has also been appointed managing director of two Taylor Woodrow Construction subsidiary companies, Taymech and Taymel. He joined the board of TWC in 1987 and has played a major role in the establishment and success of the management contracting company, of which he is chairman.

■ Mr George Duncan has been appointed a non-executive director of CALOR GROUP. He is chairman of ASW Holdings, Whessoe, and Household Mortgage Corporation, and a non-executive director of BET, ABP and Laporte.

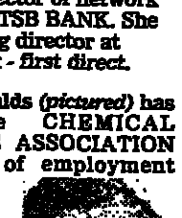
■ Mr Peter Townsend has been appointed executive manager for Heritage Park, Sheffield, NORWICH UNION's second head office site. He was branch manager at Birmingham, and before that managing director of Ilios Greek Insurance Company, Norwich Union's Greek subsidiary. He takes up his new post on August 30.

■ Mr Philip Dayer has joined ANZ MERCHANT BANK to take responsibility for corporate finance and development capital. He was responsible for corporate finance at Citicorp Scrimgeour Vickers, and prior to that a director of corporate finance at Barclays de Zoete Wedd. Mr Dayer takes over from Mr Don de Groot who remains a director of corporate finance.

■ J.H. MINET REINSURANCE BROKERS has appointed Mr Andy Pytches as company secretary. He also becomes company secretary of Minet Reinsurance Brokers International.

■ Ms Jan Smith has been appointed director of network marketing at TSB BANK. She was marketing director at Midland Bank - first direct.

■ Mr Jim Foulds (pictured) has joined the CHEMICAL INDUSTRIES ASSOCIATION as director of employment affairs, succeeding Mr Kenneth Hack who retires at the end of the year. Mr Foulds was group personnel director at DRG, a Pembridge Investments company.



More posts for Peter Walker

Mr Peter Walker, the Conservative MP and former cabinet minister, has been appointed a non-executive director at TATE & LYLE, the sweeteners group, and DC GARDNER GROUP, the training and placement company. Last week, he joined the board of DALGETY, the food and agribusiness group, *writes Clay Harris.*

Tate also named Mr Doug Lapins president and chief executive officer of Staley, its US cereal, sweeteners and starch company, replacing Mr Larry Cunningham, who leaves the group and Tate's main board. Tate said the change was intended to replace marketing expertise with manufacturing experience. Mr Tom Chandler, manufacturing vice president of Redpath Sugars, Tate's Canadian subsidiary, takes over from Mr Lapins as president and chief executive officer of Western Sugars, its Colorado-based beet-refining company.

■ CAPITAL HOUSE, investment management arm of The Royal Bank of Scotland, has appointed Mr Rupert Tyer a director of Capital House Management Services, and Mr David Lis a director of Capital House Asset Management.

■ AIM COMMUNICATIONS, part of the AIM Holdings Group, has made Mr Keith Gale its managing director. He was formerly financial director at Asset Technology.

■ Mr Peter Elston, who joined the group in 1978, has been appointed managing director of HENRY BOOT MANAGEMENT. He was the director responsible for Henry Boot Fast Track, and the management contracting activities of Henry Boot Northern. These are being merged with Henry Boot Management.

■ Mr Eamonn McNamara has been apppointed sales director of UPONOR, Leeds (formerly IMI Yorkshire Imperial Plastics). He was national sales manager, building products.

■ Mr James Tuckey, managing director, MEPC, becomes a director of ABBEY NATIONAL from September 1.

■ Mr Alan Weaver has been appointed managing director of NU-WAY, Droitwich, a Wolseley group subsidiary.

Minster Trust

Mr Doug Sarchett (pictured) has been appointed a director of MINSTER TRUST with specific responsibility for the development and marketing of investment management services. He was with Gartmore Investment Management for many years, where he was investment director as well as chairman of both the pension fund and investment trust operations.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	49 03	49.91	52.66	-0.27	5.20
Gilts & Fixed Int	6	105.4	105 4xd	111.9	+0.3	9.88
High Inc Equity	6	134 6	138.3xd	147.0	-0.9	4.32
Worldwide Bond	6	184.7	184.7	196.0	-1.1	6.58
Capital Growth						
American Growth	6	176 6	176.6	188 8	-1.5	1.23
Asian Pacific	6	146.4	149.6	159 !	+0.3	0.00
Assets & Earnings	6	157 0	160.7	170.9	-1.8	2.84
Capital Reserve Acc	0	93 72	93.72	93 91	+0 18	7.60
Capital Reserve Inc	0	78 77	78 77	78 93	+0.16	7.60
Comdty & Energy	6	90 91	92 98	98.86	-0.55	0 00
1992 Enterprise	6	62.98	64.26	68.36	-0.52	1.96
Euro Capital Acc	6	103 5	105 0	111.6	-0.9	0.89
Euro Capital Inc	6	99.37	100 7	107.1	-0.9	0.89
General	6	177.8	181.4	192 9	-1.8	2.59
Japan	6	96 81	96.81	103.5	-1.6	0 00
Mastertrust	6	88.92	88 92	95 10	-0 61	1.56
UK Growth Acc	6	175.3	183.1	194.7	-0.9	2.55
UK Growth Dist	6	114.6	119 6	127.2	-0.5	2.55
US Emerging Cos	6	56 08	56 08	59.97	-0.08	0.00
Income & Growth	6	301.5	303.5	320.1	-2.9	3.12
Ethical	6	47.97	49 14xd	52.27	-0 29	1.91
International	6	60.56	61.32	65.23	-0.36	0 77
Dividend & Growth	6	47.36	48.42xd	51.51	.....	4.37
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	30.50	30 60	32.66	-0.28	2.42
European	5¼	91.18	91 44	97.61	-0.70	0.00
European Income	5¼	87.87	88 03xd	93 97	-0.64	1.39
Exempt	1	747.4	747.4xd	772.6	-4.2	3 22
Exempt Income	3¼	174.2	174.2xd	184 3	-1.1	4.69
Exempt American	3¼	369.2	369 2	386.8	-2 6	1.47
Brown Shipley & Co Ltd—Contd.						
Recovery	6	41.81	41.81	44.53	-0.7	
Smaller Cos Acc	6	245.9	250.1	266.5	-0.8	
Smaller Cos Inc	6	150.6	153.2	163.2	-0.5	
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-49[illegible]						
Income Growth	1	189.9	189.9	196.8	.....	
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-24[illegible]						
Emerging Gwth	5¼	60.28	60.28	63.90	-0.3	
(Accum Units)	5¼	63.27	63 27	67.07	-0.3	
Fellowship Tst	5¼	62.68	63.14	67.18	-0.2	
(Accum Units)	5¼	65.50	66.01	70.23	-0.2	
General Inc	5¼	292.1	295.9	314 8	-1.[illegible]	
(Accum Units)	5¼	508.6	515.1	548.0	-1.[illegible]	
Income	5¼	159.3	159.3	168.9	-0.[illegible]	
(Accum Units)	5¼	323.5	323.5	342 9	-3.[illegible]	
International	5¼	101.1	101.1	107.2	+0.[illegible]	
(Accum Units)	5¼	139.7	139.7	148.1	+0.[illegible]	
Smaller Co's	5¼	102.8	104.7	111.4	-0.[illegible]	
(Accum Units)	5¼	115 2	117 3	124.8	-0.[illegible]	
Inv Portfolio	3	55.58	55.58	57.53	-0.7	
(Accum Units)	3	58.28	58.28	60.32	-0.[illegible]	
High Income Port	3	46.76	47.80	49.53	-0.6	
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-48[illegible]						
Short Dated Gilt	1¼	57.29	57.29	58.15	+0 0[illegible]	
CCF Foster Braithwaite UT Mngt (1[illegible]						
1 White Hart Yard, London SE1 1NX 071-407[illegible]						
CCF Sel High Inc Eqty	5½	47.81	48.59xd	51.70	-0.1[illegible]	
CCF Sel High Inc Eq Acc	5½	48.89	49.69xd	52.87	-0.1[illegible]	
CCF Sel Intl Gwth	5½	46.46	46.46	50.07	-0.1[illegible]	
CCF Sel Inv Tst	5½	48 57	49.97	53.16	-0.0[illegible]	
CCF Sel UK Sm Co's	5½	47.95	49 31	52.46	+0.1[illegible]	
CCF Sel UK Smlr Cos Acc	5½	48.31	49.68xd	52.86	+0.1[illegible]	
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SQ 081-740[illegible]						
UK General Tst	5½	55.71	56.87	60.49	-0.1[illegible]	
Global Tst	5½	45.19	45.70	48.61	-0.[illegible]	
Recovery Tst	5½	48.14	49.35	52.50	-0.0[illegible]	
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn, SE1 2QL 071 23[illegible]						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
(Accum Units)	6	64 62	65 11	69.64	-0.45	3 06
Capital	6	106 6	106 6xd	114 0	-0.1	2.60
(Accum Units)	6	156.9	156 9	167.8	-0.1	2.60
European Growth	6	158.6	158 6	169 1	-2.6	0.83
(Accum Units)	6	195.6	195.6	208.4	-3.3	0.83
Extra High Inc	6	63 83	65.09xd	69.62	-0.32	7 29
(Accum Units)	6	93.14	95.00	101.6	-0.4	7 29
Gilt & Fxd Int	4	47.43	47.43	49 93	+0.13	9 60
(Accum Units)	4	102.0	102.0	106.5	+0.3	9 60
High Yield	6	198.1	201.2	215.2	-0.8	5.67
(Accum Units)	6	401.6	407.9	436.3	-1.8	5.67
Income	6	243 7	246 6	263 7	-1.2	4.62
(Accum Units)	6	448.8	454 0	485 6	-2.2	4 62
Intl High St UT	6	58 50	58.50	62.57	-0.62	1.51
(Accum Units)	6	60.70	60.70	64.92	-0.64	1.51
Japan Growth	6	306 4	306.4	327.8	-6.1	0.00
(Accum Units)	6	322.1	322.1	344.5	-6 4	0.00
Phillips & Drew Unit Managers Ltd (1400)F						
14 Finsbury Square, London EC2A 1PD 071-628 6070						
UK Exempt July 26	¼	104.4	104.4	106 7	.....	5.7
Charities Inl July 20	¼	117.2	117.2	119 3	-2.6	2.7
Pilgrim Unit Trust Mngmt Ltd (0830)F						
39 Pilgrim Street, Newcastle upon Tyne NE1 6RQ						
Administration & Dealing:						
Unit Trust Accounting & Management Ltd						
1 White Hart Yard, London SE1 1NX 071-407 5966						
American	6	45.91	45.91	48.74	+0.28	0 40
European	6	47.01	47.14	50.15	+0.05	0.00
Global	6	46.20	46.68	49 66	+0.09	0.48
Pacific	6	46.31	46.68	49.63	-0.10	0.00
UK Income & Growth	6	46.38	46.75	49.74	-0.11	0.4

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	147.8	148.5	157.9	-1.90	1.77
(Accum Units)	5¼	157.3	158.1	168.1	-2.00	1.77
Australian	5¼	112.2	114.3	121.5	-1.10	2.14
(Accum Units) ♦	5¼	126.6	128.9	137.1	-1.20	2.14
Enterprise	5¼	131.5	133.3xd	141.8	-0.70	3.98
(Accum Units)	5¼	140.0	142.0	151.0	-0.80	3.98
European Gwth	5¼	59.66	60.10xd	63 93	-0.76	1.65
(Accum Units)	5¼	59 85	60.29	64.13	-0.76	1.65
Euro Smllr Cos	5¼	58.63	59.16xd	62.93	-0.57	0.37
(Accum Units)	5¼	58.83	59.37	63.15	-0.57	0.37
Far Eastern Gwth ♦	5¼	50.79	51.52	54.80	-0.59	0.00
(Accum Units) ♦	5¼	50.79	51.52	54.80	-0.59	0.00
Fixed Interest	5¼	44.72	44.72	47.10	+0.26	10.23
(Accum Units)	5¼	45.69	45.69	48.13	+0.25	10.23
Gilt Income	5¼	87.68	87.68	92.38	+0.65	10.76
(Accum Units)	5¼	99.07	99.07	104.3	+0.70	10.76
Income	5¼	241.3	243.7	259.2	-1.20	6.00
(Accum Units)	5¼	621.5	627.6	667.6	-3.10	6.00
Japan Smllr Cos ♦	5¼	413.7	417.9	444.5	-7.40	0.00
(Accum Units) ♦	5¼	414.5	418.7	445.4	-7.40	0.00
Pacific Gwth ♦	5¼	51.71	52.40	55.74	-0.32	1.88
(Accum Units) ♦	5¼	51.96	52.64	56.00	-0.33	1.88
Smaller Co's	5¼	158.5	163.9xd	174.3	+0.20	2.83
(Accum Units)	5¼	175.8	181.8	193.4	+0.20	2.83
Tokyo ♦	5¼	80.38	81.16	86.34	-1.77	0.00
(Accum Units) ♦	5¼	81.19	81.98	87.21	-1.79	0.00
UK Equity	5¼	153.4	154.6xd	164.4	-0.80	3.36
(Accum Units)	5¼	263.3	265.5	282.4	-1.30	3.36
US Smllr Cos	5¼	48.65	50.00	53.19	-0.82	0.00
(Accum Units)	5¼	48.65	50.00	53.19	-0.82	0.00
Institutional Funds						
Charity ♥	5	793.6	797.5	848.3	.....	4.09
European ♥	5	173.5	174.6	185.7	-1.10	1.08
(Accum Units) ♥	5	184.2	185.4	197.2	-1.10	1.08
Euro Smllr Cos ♥	5	26.82	27.06xd	28.72	-0.12	0.00
(Accum Units) ♥	5	26.80	27.06	28 78	-0.12	0.00
Global Equity Inc ♥	5	53.28	53.73	57.14	-0.72	3.85
(Accum Units) ♥	5	53.79	54.22	57.68	-0.73	3.85
Japan Smllr Cos ♥	5	28.63	28.82	30.65	-0.43	0.00
(Accum Units) ♥	5	28.63	28.82	30.65	-0.43	0.00
Mngd Balanced	5	118.7	119.3	126.9	.....	2.83
(Accum Units)	5	121.2	121.9	129.6	.....	2.83
Overseas Equity ♥	5	124.5	125.4	133.3	-1.40	1.25
O'seas Smllr Co's ♥	5	72.86	73.51	78.20	-0.61	0.48
(Accum Units) ♥	5	73.12	73.77	78.47	-0.61	0.48
Pacific ♥	5	109.6	111 0	118.0	-0.40	2.64
(Accum Units) ♥	5	111.6	113.0	120.2	-0.50	2.64
Recovery	5	1262	1281	1362	.....	3.51
UK Index ♥	5	121.1	121.1xd	128.8	-1.60	3.71
UK Small Co's	5	91.46	94.66	100.70	-0.90	3 84
US Smllr Cos ♥	5	18.58	18.86	20 06	-0.09	0.00
(Accum Units) ♥	5	18.95	18.86	20.06	-0.09	0.00

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ● - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Providence Capital Life Assc. Co Ltd

Providence Capital Life Assc. Co Ltd – Contd.

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Refuge Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd – Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group – Contd.

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fluxco International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

NM Life Assurance Int Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

The Analysis Group PLC

Bryan Wallis & Partners Ltd

Cameron Law & Company Ltd

James Capel & Son Financial Services

Chase de Vere PLC

Clifton Financial Mgmt Ltd

Drummond Moore Plc

Edinburgh Money Management Ltd

Fairmount Glen Bells Ltd

Gartmore Fund Managers Ltd

Hinton Hill G. & P) Ltd

Horstentter Financial Services(Pty) Ltd

I.P.S. Lamont plc

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Macartney & Davis F.S. Ltd

March Financial Management PLC

Northern Rings & Partners

PBR Fund Management Ltd

Petley & Co PLC

Roxborough Financial Management Ltd

Rutland Inv Mng & Inv Grp

Sharp (Albert E.) & Co.

Siltaix Fund Managers Limited

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

Westmont Asset Management Ltd

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

BBV-Hambros Asset Mngmt (Guernsey) Ltd

Cigna International Fund Mngrs (CI) Ltd

Gartmore Invest Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G Island Fund

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

GUERNSEY (REGULATED)

Adams & Neville Fund Mgmt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring Intl Fund Managers Guernsey Ltd				
Mngd Portfolio (Dllr)	$12.73	12.47	....	-
Mngd Portfolio (Stlg)	£4.74	5.03	....	-
Baring Currency Fund Ltd				
US Dollar		$14.27	+0.01	-
Sterling		£17.10	-	-
Deutschemark		DM37.35	-	-
Japanese Yen		Y3,733	+1	-
Managed	$37.50	39.84	-0.06	-
Gartmore Management (Guernsey) Ltd				
Dumenil Asset Management (Guernsey) Ltd				
Fleet-Cassell Fund Mngrs (Guernsey) Ltd				
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	£0.3439	0.3662		14.20
Hambros Fund Managers (CI) Ltd				
Havelet Throgmorton Mngmt Ltd				
Henderson Admin. (Guernsey)				
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst	72.49	77.52	-0.43	2.60
Kleinwort Benson Intl Fd Mngrs Ltd				

	Bid Price	Offer Price	+ or -	Yield Gross
Sarasin (Isle of Man) Ltd				
Fulton Fd July 20		£17.51		-
UK Trend July 24		£10.08	..	-
Target International (Isle of Man) Ltd				
Tyndall International (Isle of Man) Ltd				
Unibank Scandinavian Fund Ltd				

JERSEY (SIB RECOGNISED)

Barclays International Funds

PO Box 152, St Helier, Jersey CI 0534 67888

Capital House Fund Mgrs (CI) Ltd (0900)H

PO Box 189 Capital Hse Bath St. St Helier Jersey

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED**)

JERSEY (REGULATED**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	July 26	July 25	July 24	July 23	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2920.79	2930.94	2922.52	2904.70	2999.75 (16/7)	2543.24 (30/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.05	91.01	90.86	90.91	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1142.15	1141.61	1137.96	1136.13	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	203.16	202.65	200.39	200.20	236.23 (2/1)	200.20 (23/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2945.79 (2946.53) Low 2888.12 (2896.78)

STANDARD AND POOR'S

	July 26	July 25	July 24	July 23	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	355.91	357.09	355.79	355.31	368.95 (16/7)	322.98 (30/1)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	421.30	423.11	421.71	420.79	437.37 (16/7)	371.92 (30/1)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	27.94	27.97	27.83	28.05	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	194.58	195.10	194.45	194.22	201.13 (16/7)	178.43 (30/1)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	356.33	356.95	355.51	354.92	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	445.43	445.45	442.56	444.64	469.60 (16/7)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Jul 20	Jul 13	Jul 6	year ago (approx.)
Dow Industrial Div. Yield	3.64	3.62	3.71	3.47

	Jul 25	Jul 18	Jul 11	year ago (approx.)
S & P Industrial div. yield	2.94	2.87	2.90	3.17
S & P Indl. P/E ratio	16.95	17.29	17.13	12.85

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Citicorp	5,046,400	20⅞	- ⅛
Philip Morris	3,181,300	47¼	- 1¼
Panhandle Estn	2,310,900	17⅞	—
Compaq Comp	2,095,600	57⅞	- 1½
GTE Corp	1,950,300	28⅝	+ ½
Ford Motor	1,926,800	41⅞	- ⅜
Union Carbide	1,807,100	19⅞	- ⅛
Upjohn	1,769,700	43¼	+ ⅜
Chase Manhattan	1,724,200	20	+ ¼
Dow Chemicals	1,711,400	52½	+ ½

TRADING ACTIVITY

† Volume Millions	July 26	July 25	July 24
New York	155.040	164.047	181.920
Amex	11.529	10.519	13.757
NASDAQ	136.063	141.604	160.505
Issues Traded	1,991	1,972	2,007
Rises	701	897	749
Falls	775	574	745
Unchanged	515	501	513
New Highs	18	28	25
New Lows	71	61	79

CANADA

TORONTO	July 26	July 25	July 24	July 23	1990 HIGH	1990 LOW
Metals & Minerals	3329.70	3339.33	3289.12	3284.98	3453.05 (4/1)	2850.80 (23/4)
Composite	3543.49	3554.41	3547.64	3548.20	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1841.10	1851.70	1850.91	1852.48	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 27	July 26	July 25	July 24	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1577.9	1590.8	1591.5	1587.0	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	777.4	787.5	782.1	775.2	860.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	683.86	675.77	670.51	672.08	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6341.35	6344.32	6346.83	6312.13	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	387.29	387.12	386.82	385.99	388.29 (20/7)	352.96 (25/4)
FINLAND						
Unitas General (1975)	545.0	541.2	540.8	536.8	677.3 (23/1)	532.7 (17/7)
FRANCE						
CAC General (31/12/82)	528.98	533.80	533.78	530.98	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	1965.79	1984.37	1998.58	1995.61	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	817.80	824.32	818.21	818.31	832.32 (19/7)	732.71 (24/1)
Commerzbank (1/12/53)	2351.8	2361.9	2354.2	2355.90	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1919.81	1932.89	1920.25	1921.16	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3485.80	3483.59	3520.54	3495.87	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	(u)	1628.09	1636.36	1643.23	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	729.68	730.39	725.26	726.93	763.52 (14/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	30863.48	31369.75	31701.27	31702.46	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2249.26	2281.20	2307.31	2304.59	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4363.10	4384.30	4380.76	4329.23	4477.16 (16/7)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	627.76	627.01	627.04	625.23	631.13 (17/7)	518.53 (2/5)
NETHERLANDS						
CBS Tfl.Rtn.Gen.(End 1983)	266.0	268.0	269.2	267.9	271.9 (20/7)	240.1 (26/2)
CBS All Shr (End 1983)	198.1	199.6	200.5	199.5	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	875.74	868.64	868.77	866.33	875.74 (27/7)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	924.57	915.65	888.47	886.12	1160.70 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	444.65	444.37	444.47	441.95	446.87 (16/7)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1554.84	1576.0	1605.0	1547.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	3026.04	3018.0	3013.0	2978.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	673.16	676.83	685.27	679.67	928.82 (4/1)	673.16 (27/7)
SPAIN						
Madrid SE (30/12/85)	296.33	299.39	301.67	301.55	309.74 (16/7)	248.17 (2/4)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1310.7	1309.3	1307.7	1305.2	1329.9 (5/7)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	803.6	811.4	813.3	809.8	845.5 (13/7)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	5402.64	5255.89	5321.64	5271.61	12495.34 (10/2)	4524.55 (5/7)
THAILAND						
Bangkok SET (30/4/75)	1142.33	1141.78	1143.78	1130.86	1143.78 (25/7)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	519.8	524.2	524.2	571.0 (4/1)	468.3 (2/4)

**Saturday July 21: Taiwan Weighted Price: 5299.56. Korea Comp Ex. 686.69

♦ Subject to official recalculation.

Agro Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

Dow declines on disappointing GNP data

Wall Street

US STOCK prices dipped in moderate trading yesterday morning as the markets reacted cautiously to lower-than-expected gross national product (GNP) figures, *writes Martin Dickson in New York.*

At 2 pm the Dow Jones Industrial Average stood at 2,899.01 down 21.78, after opening flat and trading about 12 points lower during the morning. Volume was a moderate 89m shares and declining stocks outnumbered advancing ones by 849 to 496.

The decline, which was led by consumer stocks, came in spite of stronger-than-expected earnings figures from Boeing and strength in oil stocks on news of the Opec accord.

The provisional figures for second-quarter GNP showed growth of only 1.2 per cent, against the 1.8 per cent widely expected by economists, while final sales fell at an annual rate of 1.8 per cent. Figures for inflation were in line with market expectations but the growth in the economy stemmed in considerable measure from a build-up in inventories, and economists said this would mean a drag on expansion in the second half of the year.

The statistics gave a fillip to the bond market, because they were viewed as increasing the pressure on the Federal Reserve to ease interest rates. At lunchtime the benchmark long Treasury bond was up ⅔ at 102⅔ for a yield of 8.502 per cent.

But the bond market's buoyant mood did not follow through into equities, where the GNP numbers increased concern about the outlook for company profits later in the year. This follows warnings by several large companies in different sectors this week that the outlook for later this year is for softer sales and lower profits.

Boeing, however, rose $1⅛ to $59⅝ after reporting stronger-than-expected results late on Thursday. Its net income nearly doubled on the strength of its commercial aircraft operations, although the company painted a gloomy outlook for its defence-related businesses.

Among oil companies, Exxon was up $1⅛ at $50 on the Opec accord, while Mobil rose $⅞ to $65⅛. Among other blue chips, IBM was off $⅞ at $112⅛. Technology stocks have been extremely volatile all week following mixed trading reports.

Among consumer stocks, Wal-Mart, the retailing chain, was off $1 at $31⅝. The GNP figures showed final sales – GNP minus inventories – falling at a 1.8 per cent annual rate, a figure that would have been worse had government spending not risen.

Walt Disney dropped sharply to $117⅛, down $3⅞, following its third-quarter figures, which, in spite of a 23 per cent rise in net income, were at the low end of expectations.

Tobacco stocks continued their decline following Thursday's ruling in the New Jersey Supreme Court that warnings on cigarette packets do not protect tobacco companies from product liability lawsuits. The decision opens the door for a review of the issue by the US Supreme Court. Philip Morris was $⅞ easier at $46⅝.

Pharmaceutical stocks were mixed, with Merck at $89⅛, off $⅞, but Eli Lilley bounced back from Thursday's news that it faced a second suit over its popular new anti-depressant drug, Prozac. Its stock stood at $80⅛, up $⅝.

Canada

WEAKER-THAN-expected gross national product figures in the US drove Toronto stocks down by midsession yesterday. Real estate and construction shares dropped sharply, reflecting Canada's plunging housing market.

The composite index lost 7.5 to 3,535.8 on volume of 9.5m shares. Declines led advances by 221 to 206.

Media shares, battered by a sharp drop in second quarter earnings, fell further. Among media stocks hit by falling advertising revenues Thomson eased C$⅛ to C$14⅛, Maclean Hunter lost C$⅛ to C$9⅞ and Southam fell by C$⅞ to C$23⅛.

SOUTH AFRICA

GOLD SHARES fell in Johannesburg. Vaal Reefs lost R4 to R290 but recovered from R288. De Beers fell R1.75 to R95 as support from the $5bn Soviet deal faded. The JSE Gold index fell 22 to 1,564 and the overall index 17 to 3,136.

International funds flow back to Zurich

William Cochrane on a revival in the Swiss stock market after prolonged weakness

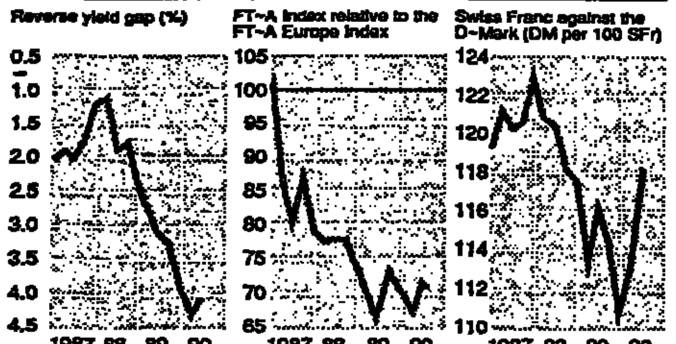
AFTER more than three years of relative weakness within Europe, the Zurich bourse had moved up by 15 per cent from its spring lows, before the past two weeks' profit-taking and nervousness about the gyrations on Wall Street.

International investors made all the difference in May, moving into the country's top 20 international corporations, which give it world-class representation in the banking, insurance, chemical, food and engineering industries.

Analysts like the market. "Despite summer doldrums in other markets, volumes continue to be buoyant in Swiss equities," said Mr Jonathan Dicker and Mr Tom Atkinson of Citicorp in London. They were sanguine about share prospects although they acknowledged the scope for profit-taking which now existed.

Barclays de Zoete Wedd, the London broker, is similarly inclined. In its Continental European Strategy published on July 12, it was cautious about most continental European markets, but still had a soft spot for Switzerland: "Despite the good run, we would remain overweight."

Switzerland



Switzerland's ability to gain analytical and institutional support, while a parallel surge in the French market petered out into a short-term flirtation with foreign investors, may allow it to emerge fully from a prolonged period of neglect: within the FT-Actuaries World Indices, Switzerland had underperformed the rest of Europe for more than three years.

This, in turn, reflected rising inflation, matched and then outpaced by domestic interest rates. High yields in the domestic bond market were a disincentive to equity investment; this was the more so in a hard-currency, almost Teutonic market which prefers that equity and bond yields do not get too far apart: the 2 to 2½ per cent reverse yield gap fairly common in the first six years of the 1980s was what the domestic investor found attractive.

Mr David Thwaites, a European economist currently in passage between Citicorp and Laing & Cruickshank, said for Citicorp in mid-June that the process of accelerating Swiss inflation and rising interest rates was over.

The jump in 1989-90 had taken inflation to a historically high level. "Part of this process," said Mr Thwaites, "can be attributed to artificial factors (in particular high mortgages and rents) but, under pressure from a booming economy, the underlying inflation position worsened as well."

In common with other European central banks, he observed, the Swiss National Bank (SNB) had eased monetary policy immediately after the stock exchange crash of October 1987, to support the financial markets. "This process," he said, "was not reversed until mid-1988."

By the time the SNB tightened up again, it was faced with economic overheating, which forced the authorities progressively to tighten policy even further, and three-month interest rates soared, from under 2 per cent early in 1988 to 9 per cent at the end of 1989.

The vicious circle in which higher interest rates designed to tighten up the economy kicked inflation up, via rises in mortgages and rents at the end of the economic cycle, is now over, according to Mr Thwaites. "This spring interest rates . . . started to fall and inflation is at its peak," he asserted.

If anything, the picture has improved over the past month or so. "The peak inflation rate expectation was 6 to 7 per cent earlier this year," he added (on July 12). Since then, weak oil prices had fed through to import prices and May's actual inflation rate, which will probably be the peak, was 5.1 per cent.

"Originally, it was hoped that the inflation rate would be down to maybe 4 or 4½ per cent by the end of this year," he added. "Now, the year-end hope is 3 to 3½ per cent."

In addition, he noted the strength of the Swiss franc this year after an unhappy 1987-89; foreign investors, with an eye on their overall returns, may do likewise.

ASIA PACIFIC

Nikkei falls below 31,000 on renewed rate fears

Tokyo

SHARE PRICES nosedived yesterday as renewed interest rate fears and a combination of negative news triggered a widespread sell-off on the market. The Nikkei average fell below the psychologically important 31,000 mark for the first time since early May, while the market recorded its first series of six consecutive losses for nearly four years, *writes Michiyo Nakamoto in Tokyo.*

Following Thursday's fall, the market opened sharply lower and the Nikkei average tumbled below 31,000 in the first 30 minutes of trading. After plunging to an intraday low of 30,377.95, the index recovered part of its losses but still ended down 506.27 at 30,863.48, a drop of 4.9 per cent on the week. The day's high was at 31,341.40.

Declines at 800 eclipsed advances at 179, while 148 issues were unchanged, and turnover rose to 450m shares from 330m. The Topix index of all listed shares lost 31.94 to 2,249.26. In London, the ISE/Nikkei 50 index fell 9.86 to 1,661.67.

Remarks on Thursday by Mr Yasushi Mieno, Governor of the Bank of Japan, suggesting that the central bank would maintain its tight monetary policy, rekindled fears of higher interest rates. This prompted early selling on both the cash and futures bond markets and a sharp fall in equities.

A newspaper report that a leading bank had compensated a major client for losses incurred in the stock market crash of 1987 further soured market sentiment. This followed reports on Thursday that more than 10 securities firms had compensated favoured clients for losses during the crash and could be charged by the tax authorities.

The yen fell again, battered by instability on Japanese financial markets, and NTT's drop below the psychologically important Y1m level to a record low of Y996,000 also unnerved investors. It later closed unchanged at Y1m.

The drop in NTT's share price prompted Mr Ryutaro Hashimoto, the Finance Minister, to express publicly the hope that NTT's share price would recover to a more healthy level. The Government hopes to sell another batch of NTT shares to the public.

Heavy futures selling in the morning coupled with arbitrage liquidation also knocked the market, bringing back memories of the collapse earlier this year. There was almost continous arbitrage liquidation in the morning until the futures index had lost almost its maximum daily amount. The Nikkei index futures September contract yesterday suffered a sharp 700 point loss.

"The bearishness in the futures market was translated into the cash market and that bearishness is not over yet," said Mr Graham Biggart at Schroder Securities.

Financial issues, hurt by the interest rate environment and the scandals of the past two days, were lower. Mitsui Taiyo Kobe Bank lost Y90 to Y2,020 and Sumitomo Bank fell Y120 to Y2,150. However, Yamaichi Securities rose Y30 to Y1,150.

Amid the gloom, some heavily traded issues rose. Nippon Steel was supported by bargain-hunting and topped the actives list with 13.1m shares, adding Y4 to Y515.

In Osaka broad-based selling took the OSE average down 617.76 to 34,847.32. Volume rose to 32m shares from 22m.

Roundup

THE SHARPEST fall yesterday was in New Zealand, although most Pacific Rim markets were slightly better.

NEW ZEALAND fell sharply as declines in Tokyo and Sydney worried the market after a steady opening. The mood also remained subdued after Tuesday's budget. The Barclays index fell 21.18 to 1,820.12, for a 3.7 per cent retreat on the week. Turnover was moderate at NZ$23m compared with Thursday's NZ$14m.

"The direction of the New Zealand market at present is influenced by corporate earnings and interest rate moves. Market perceptions about the outlook of these factors are becoming more negative, so we are cautious about the outlook for the market, but the October election outcome remains a potential wildcard," says Fay, Richwhite, the New Zealand securities house.

AUSTRALIA edged above its day's lows after falling on the news of a higher-than-expected A$1.57bn current account deficit for June. Falls in overseas markets and in the gold price also depressed sentiment.

The All Ordinaries index ended 12.9 lower at 1,577.9, a decline over the week of 1.5 per cent. Volume was boosted by options-related trading to A$368m, up from the previous day's A$146m.

SEOUL fell to another year's low on economic and political worries, with the composite index down 3.67 points on the day and 3.1 per cent on the week at 673.16. Trading was thin at Won68.5bn, compared with Won56.6bn on Thursday. Intervention by the market stabilisation fund lifted shares off their lows.

HONG KONG saw turnover slip below HK$2bn for the first time in two weeks as shares ended mixed. The Hang Seng index fell about 36 points in early trading as investors took profits, before bargain-hunting helped the index close 2.21 up at 3,485.80, a fall on the week of 1.5 per cent. Turnover was HK$1.89bn, down from Thursday's HK$2.03bn.

TAIWAN rose to its best level for more than a month. The weighted index added 146.75 to 5,402.64 – a rise on the week of 4 per cent. Constructions, which had lagged behind, led gains. Turnover was T$73bn, up from T$68bn.

MANILA moved higher on rumours that Gregorio Honasan, the rebel leader, was negotiating his surrender. The composite index rose 8.92 to 924.57, up 4.7 per cent on the week.

SINGAPORE recovered from early Tokyo-inspired losses to close higher. The Straits Times Industrial index rose 7.41 to 1,565.49, little changed on the week. KUALA LUMPUR ended barely changed overall, but Mycom continued to advance on rumours that Hong Leong Group's Quek Leng Chan would join the board. It added M$1.70 to M$6.70 with 4.3m shares traded.

BOMBAY hit its third record in a row, with the BSE index gaining 25.03 to 1,083.15.

EUROPE

Chemical shares weaken across Continent

CHEMICAL stocks were weak across Europe yesterday following poor first-half figures from ICI in the UK on Thursday. In Italy, the Ferruzzi group remained suspended, *writes Our Markets Staff.*

MILAN was unperturbed by the resignation of four Christian Democrat cabinet ministers over amendments to a broadcasting bill. Demand for banking, insurance and telecommunications stocks countered selling pressure in the Fiat group and Mr Carlo de Benedetti's company shares.

The widely expected merger between Montedison and Ferruzzi Agricola, confirmed after the market closed, also supported prices. Ferruzzi group shares remained suspended, sharply reducing overall trading activity. The Comit index eased 0.45 to 729.68, a drop of 2.2 per cent on the week.

FRANKFURT eased in quiet trading, with the chemical sector leading the declines. Position-squaring before the weekend and the month-end also led to some selling. The FAZ index, calculated at midsession, fell 7.32 to 817.00, down 1.2 per cent on the week, while the DAX index fell 13.08 to 1,919.81, off 1.5 per cent on the week. Volume fell to DM5.5bn from DM6.7bn.

Among chemicals, BASF eased DM3.50 to DM272.10, Bayer was off DM4.40 at DM283.70 and Hoechst edged DM1.20 lower to DM269.90. In the insurance sector, Allianz declared a DM4 100th-anniversary bonus dividend for 1989 on top of an unchanged DM12 dividend. The stock fell DM18 to DM2,988.

PARIS eased again in modest trading, with oil and chemical stocks featuring among the most active stocks or the biggest fallers. The CAC 40 index fell through the 1,970 support level to 1,965.79, down 18.58, although it ended above its day's low of 1,956.01. The index fell 3.2 per cent on the week.

The news that Meeschaert-Rousselle, the brokers, would make a loss for the first six months after losing FFr78.5m last year exacerbated the market's nervous mood.

In the oil sector, Total dropped FFr31 to FFr677 and Elf Aquitaine lost FFr11 to FFr686 with 144,400 shares traded.

The disappointing results from ICI continued to weigh on Rhône-Poulenc's certificates, which fell another FFr17.50 to FFr427.50, after losing FFr14.90 the previous day.

The statistics office's report that motor and transport sectors faced difficulties ahead helped tip Peugeot FFr6 lower to FFr699 in active trading.

ZURICH declined in quiet trading, with chemical stocks extending the previous day's losses. The Crédit Suisse index slipped 3.6 to 656.1, a fall on the week of 3 per cent. Sandoz bearers and registered shares lost SFr175, to SFr10,975 and SFr10,575 respectively.

Jacobs Suchard bearers fell SFr20 to SFr8,360 after Philip Morris of the US said that it would not alter the time or price of its takeover bid for the Swiss coffee and chocolate group following Bank Vontobel's report recommending the rejection of the offer.

AMSTERDAM was depressed by declines on other markets and the dollar's continued weakness. The CBS Tendency index fell 0.7 to 119.6, down 2.5 per cent on the week. Akzo, which kicks off the interim reporting season on August 2, shed Fl 1.30 to Fl 114.50.

OSLO was boosted by higher prices for North Sea oil after Opec ministers agreed to new output quotas. The all-share index rose 4.14 to 646.95, up 1.3 per cent on the week. Norsk Hydro added NKr4 to NKr207.

STOCKHOLM was revived by a rally in Ericsson. Its free B shares added SKr20 to SKr1,320 after a week of declines tied to expiring options. The Affärsvärlden General index edged up 1.4 to 1,310.7, for a fall on the week of 0.7 per cent.

MADRID declined again in thin trading as Wall Street weakened, with the general index losing 3.00 to 296.33, a fall on the week of 2.9 per cent.

COPENHAGEN was little changed, but Danisco continued to advance, adding DKr15 to DKr1,000. It is said to have been strong since a foreign broker's buy recommendation.

ISTANBUL hit its sixth all-time high in succession, with the index up 53.84 at 4,986.84, after briefly passing the 5,000 level, in turnover of TL120.8bn. The index gained 12.7 per cent on the week.

NICOSIA reached its 14th successive weekly record high, with the index up 13.3 or 4.9 per cent at 282.3.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JULY 26 1990								WEDNESDAY JULY 25 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	147.12	−0.7	120.27	139.91	124.10	125.30	−0.1	5.58	148.12	121.10	139.37	124.53	125.42	158.31	125.85	142.23
Austria (19)	279.43	−0.2	228.44	265.75	235.71	235.68	−0.1	1.23	280.08	228.97	263.53	235.46	235.98	285.63	193.15	128.06
Belgium (61)	159.40	+0.7	130.31	151.58	134.45	131.49	+1.0	4.40	158.29	129.41	148.92	133.07	130.18	160.02	132.11	133.76
Canada (119)	139.54	−0.3	114.07	132.69	117.70	116.40	−0.3	3.48	139.96	114.42	131.68	117.65	116.75	153.61	130.37	149.29
Denmark (33)	274.63	+0.4	224.52	261.18	231.66	230.18	+0.2	1.25	273.57	223.65	257.41	229.98	229.67	274.63	236.69	214.91
Finland (26)	134.33	−0.6	109.82	127.76	113.31	107.20	−0.7	2.55	135.15	110.49	127.17	113.62	107.94	152.29	129.99	143.91
France (124)	160.65	−1.0	131.33	152.77	135.50	136.96	−0.8	2.89	162.25	132.65	152.65	136.39	138.01	168.85	141.89	130.91
West Germany (92)	142.00	+0.0	116.09	135.06	119.78	119.78	+0.3	1.88	141.99	116.08	133.61	119.36	119.36	142.33	122.05	97.68
Hong Kong (46)	144.93	−1.1	118.48	137.83	122.26	144.41	−1.1	4.37	146.53	119.79	137.87	123.19	146.00	147.49	112.24	104.23
Ireland (17)	187.37	−0.7	153.18	178.19	158.05	159.91	−0.6	2.74	188.69	154.26	177.54	158.63	160.84	198.57	172.72	158.99
Italy (96)	106.59	+0.5	87.14	101.36	89.91	94.51	+0.8	2.49	106.08	86.72	99.80	89.17	93.76	109.28	91.85	93.00
Japan (454)	143.88	−2.4	117.63	136.84	121.39	136.84	−1.3	0.62	147.35	120.46	138.64	123.89	138.64	197.26	124.40	189.19
Malaysia (35)	249.70	−0.2	204.14	237.46	210.63	260.33	−0.2	2.08	250.17	204.52	235.38	210.31	260.77	250.89	204.15	188.22
Mexico (13)	561.41	+1.1	458.97	533.91	473.57	1764.72	+1.1	0.29	555.06	453.78	522.26	466.62	1744.76	561.41	324.53	270.15
Netherland (43)	146.14	−0.9	119.47	138.98	123.28	121.96	−0.5	4.63	147.41	120.51	138.70	123.93	122.59	147.41	130.43	128.58
New Zealand (17)	67.33	+0.0	55.05	64.04	56.80	60.94	+1.0	7.20	67.31	55.03	63.34	56.59	60.37	75.38	59.57	68.80
Norway (23)	255.02	+0.1	208.49	242.53	215.12	216.25	−0.1	1.47	254.87	208.36	239.81	214.26	216.38	256.02	202.34	184.20
Singapore (25)	207.38	+0.4	169.54	197.23	174.93	173.98	+0.4	2.07	206.55	168.86	194.34	173.63	173.23	209.24	179.70	167.57
South Africa (60)	189.09	−0.6	154.58	179.82	159.50	161.14	−0.6	3.60	190.23	155.52	178.99	159.92	162.12	251.39	170.00	148.59
Spain (42)	180.05	−1.0	147.20	171.23	151.88	135.72	−0.7	4.05	181.88	148.69	171.13	152.90	136.68	182.25	132.84	153.31
Sweden (34)	228.15	+0.0	186.52	216.98	192.45	199.27	+0.0	2.03	228.14	186.51	214.66	191.79	199.34	232.74	173.89	183.02
Switzerland (68)	106.25	−0.7	86.87	101.06	89.64	90.71	−0.3	2.28	107.03	87.50	100.71	89.99	91.01	109.77	88.75	89.54
United Kingdom (303)	171.82	−0.8	140.47	163.39	144.93	140.47	−0.8	4.85	173.13	141.54	162.89	145.54	141.54	176.18	139.87	156.71
USA (539)	143.56	−0.4	117.36	136.53	121.10	143.56	−0.4	3.39	144.14	117.84	135.62	121.18	144.14	148.95	130.61	139.10
Europe (961)	155.13	−0.5	126.83	147.54	130.87	128.67	−0.3	3.57	155.92	127.47	146.71	131.09	129.10	156.66	135.57	130.18
Nordic (116)	218.14	+0.1	178.33	207.45	184.01	179.22	+0.0	1.69	217.85	178.10	204.98	183.15	179.16	218.32	185.01	174.62
Pacific Basin (659)	143.94	−2.2	117.67	136.89	121.42	136.43	−1.2	0.94	147.21	120.35	138.51	123.76	138.12	192.75	124.63	184.19
Euro – Pacific (1640)	148.88	−1.5	121.72	141.58	125.58	134.01	−0.9	2.06	151.15	123.57	142.21	127.06	135.16	174.18	130.35	162.69
North America (658)	143.22	−0.4	117.08	136.22	120.83	141.76	−0.4	3.39	143.79	117.55	135.30	120.90	142.33	148.43	131.02	139.61
Europe Ex. UK (678)	143.49	−0.3	117.30	136.48	121.06	121.17	−0.1	2.74	143.98	117.71	135.50	121.07	121.25	143.98	124.81	113.45
Pacific Ex. Japan (205)	143.72	−0.7	117.50	136.70	121.25	128.12	−0.3	4.80	144.68	118.28	136.16	121.65	128.54	146.72	122.53	124.35
World Ex. US (1832)	149.20	−1.4	121.98	141.91	125.86	134.10	−0.8	2.12	151.39	123.77	142.46	127.28	135.22	173.77	131.30	162.15
World Ex. UK (2068)	143.57	−1.1	117.37	136.55	121.12	136.75	−0.7	2.28	145.22	118.72	136.64	122.09	137.68	162.00	130.80	152.47
World Ex. So. Af. (2311)	145.81	−1.1	119.21	138.68	123.01	136.91	−0.7	2.54	147.43	120.53	138.73	123.95	137.86	161.84	131.95	152.67
World Ex. Japan (1917)	148.67	−0.5	121.54	141.40	125.43	137.37	−0.4	3.52	149.34	122.09	140.53	125.57	137.87	151.59	134.62	135.67
The World Index (2371)	146.08	−1.1	119.42	138.93	123.23	137.08	−0.7	2.55	147.69	120.74	138.97	124.17	138.02	162.05	132.25	152.84

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1989: 118.5 and for June 1990: 126.7.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	224	−3	44c	1.4	8.9	8.0
229	172	Abbey National 10p.	228½	−1½	5.7	4.3	3.4	8.9
*274	210	Allied Irish Ord.	213	.....	Q40%	3.3	4.4	9.2
£13¼	£10⅞	Algemene Fl.10	£11	.....	Q28%	2.1	7.6	6.2
85	63	Anglo Irish	70	.....	tQ18.7%	2.7	6.3	9.6
93	68	Ansbacher (H.) 1p	89	+1	2.5	1.3	3.7	25.6
£71⅜	£54¼	Bancaire Cie Fr100	£55¼	−2⅝	kQ12¼%	−	2.3	−
£22⅜	£16⅝	Banco Bilbao Vlz	£19½	.....	Q49.1%	2.7	4.3	12.6
£31	£24¼	Banco de Santander	£29	.....	Q25%	2.4	3.8	10.8
286	214	Bank Ireland Ir£1	222	.....	Q14.7%	2.9	6.2	7.4
£19½	£18	Bank Leumi	£19½	.....	−	−	−	−
350	320	Bank Leumi (U.K.)	350	.....	†15.0	−	5.8	−
125	104	Bank Scotland	117	.....	4.55	3.3	5.2	7.8
100¼	83¼	Do. 9¼pc Irrd Pf	97¼	+½	9¼%	−	12.7	−
54	39	Bank of Wales	47	.....	2.8	0.8	7.9	(22.6)
428	352	Barclays £1	394xr	−8	h19.57	3.5	6.6	5.5
22	12	Beachmark 20p	14	.....	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	310	−3	12.0	2.2	5.2	10.0
*435	341	Cater Allen £1	364	.....	N24.5	−	9.0	−
179	112	Chancery	114	.....	9.0	2.7	10.5	4.6
£23¼	£18¼	Commerzbk DM10	£20½	.....	Q18%	−	3.0	−
£13¼	804	Dai Ichi KBk Y50	804	−32	Q17%	♦	0.4	♦
*£31½	£261	Deutsche Bk DM50	£277	−1½	Q28%	−	1.7	−
£20¾	£18¼	Espirito Santo	£18¼	−¼	Q75c	5.1	2.4	−
253	183	First Nat. Fin. 10p	203	.....	13.0	2.1	8.5	7.0
121	96	FNFC 6.3pc Cv. Pf	100	−1	6.3%	−	8.4	−
£13¼	850	Fuji Bank Y50	850	−43	Q17%	♦	0.4	♦
325	262	Gerrard & National	296	.....	19.0	−	8.6	−
154	121	Guinness Mahon 10p	121	−1	2.1	−	2.3	−
328	223	Hambros 20p	254	.....	11.5	−	6.0	−
128	93	Do. 7.5pc Cv Pf	107	.....	7½%	−	9.3	−
53½	42	HK & Shang. HK$2.50	43½	+1	hQ38c	−	6.2	−
478	458	Joseph (Leo) £1	463	.....	15.85	♦	4.7	♦
150	126	King & Shaxson 20p	141	+1	10.25	−	9.7	−
422	340	Kleinwort Benson Grp.	369	.....	16.0	2.5	5.8	9.4
642	402	Kyowa Bank Y50	408	+2	Q14%	♦	0.7	♦
316	242	Lloyds £1	299	+1	†13.3	2.6	6.0	6.9
56	44	Lon. Scot. Bank 10p	51	.....	†2.4	1.9	6.3	10.1
404	271	Midland £1	294	−2	18.0	2.6	8.2	6.1
£14½	£10⅛	Mitsubishi Bank Y50	£10⅛	.....	Q17%	♦	0.3	♦
£12¼	£6⅝	Mitsubishi Tst & Bk Y50	£6⅝	−⅛	Q17%	♦	0.5	♦
£10⅜	£7⅜	Mitsui Taiyo Kobe Y50	£7⅝	−⅝	tQ16%	6.0	0.4	41.0
904	539	Mitsui Tst & Bk Y50	539	−15	Q17%	♦	0.6	♦
326	279	Nat Aust. Bk. A$1	291	−3	sQ50c	1.6	7.8	8.0
368	299	NatWest £1	331	−2	16.7	3.3	6.7	6.0
£210	£185	Ottoman Bank	£185	.....	Q110%	2.8	5.9	6.0
55	39	Rea Bros. Group	43	.....	0.5	3.4	1.6	20.6
200	140	Rothschild (J) Hldgs.	148	.....	10.0	1.1	9.0	12.9
227	149	Royal Bk. Scotland	169	−1	†7.2	3.8	5.7	5.9
795	424	Saitama Bank Y50	450	−26	Q14%	♦	0.6	♦
£12¼	736	Sanwa Bank Y50	736	−19	Q17%	♦	0.4	♦
902½	712½	Schroders £1	788	.....	h12.5	5.9	2.1	10.6
712½	537½	Do. £1 N/V	583	−5	h12.5	5.9	2.9	7.9
£25¾	£18⅛	Sec. Pacific $10	£18⅛	+⅛	Q$1.96	−	6.1	−
616	428	Standard Chartd. £1	429	−4	35.0	1.4	10.9	(8.0)
£16¼	£7⅞	Sumitomo Bank Y50	£7⅞	−⅜	tQ16%	7.5	0.4	36.7
£11	£5⅞	Sumitomo Tst & Bk Y50	£5⅞	−⅜	Q17%	♦	0.5	♦
147	121	TSB	141	−1	†5.8	2.5	5.6	9.0
175	126	TSB Bank Ord Ir£1	153	−1	†Q6.7	3.5	4.4	7.6
£11¼	£5⅝	Tokai Bank Y50	£6	−⅛	Q16%	4.1	0.5	46.1
920	605	Toyo Tst & Bk Y50	609	−25	hQ15.2%	6.9	0.5	29.3
611	532	Union Discount £1	565xd	−4	33.0	−	7.8	−
525	398	Warburg (S.G.)	429	−1	15.0	3.8	4.7	7.4
180	133	Do 6pc Cnv Prf	145	.....	6%	−	5.5	−
279	204	Westpac SA1	222	−3	Q52.5c	1.5	11.1	5.9
420	373	Wintrust 20p	382	.....	†7.8	−	2.7	−
969	574	Yasuda Tst & Bk. Y50	623	−23	Q17%	♦	0.5	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
355	173	Anglo Grp. 10p	173	.....	5.5	4.4	4.3	5.5
£128½	£74½	Do. 9½pc 1999	£74½	.....	Q9½%	−	12.8	−
175	73	CLF Yeoman 50p	75	.....	Q18.5%	3.2	12.3	3.4
71	60	Cambridge Grp Ir5p	68	.....	Q7½%	♦	0.5	♦
55	25	Capital Leasing Ir 10p	27	+2	tQ12%	3.5	4.1	6.3
68	50	Castle's (Hldgs) 10p	61	.....	3.58	1.9	7.8	8.8
426	367	Prov. Financial	419	.....	20.5	2.0	6.5	10.1
235	180	Refles Invs. Ir5p	189	.....	Q82½%	7.9	1.4	12.5
225	199	Secure Trust Grp. 1p	212	.....	8.5	2.4	5.3	10.5
210	178	Woodchester IR20p	193	−2	Q16.7%	5.9	1.6	13.6

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS — Contd

For NMS see Toucstone

ENGINEERING

ENGINEERING — Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) — Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
196	129	Clayhithe	145	−1	6.0	3.5	5.5	6.9
12	8½	Clearmark 5p	9	−¼	−	−	−	7.0
15	8	Colorgen Inc. $0.01	8	.....	−	−	−	−
43	27	Comac Group 5p	30	.....	−	−	−	♦
226	195	Community Hospital	214	.....	14.5	2.6	2.8	16.6
71	33	Co. of Designers 5p	35xd	+2	†3.5	0.9	8	10.7

INDUSTRIALS (Miscel.) — Contd.

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
256	215	Sinclair (Wm.)	233	.....	15.25	2.8	3.0	15.5
*374	132	Sketchley	140	−1	Φ6.5	♦	6.2	♦
137½	102	Smith & Neph. 10p	117½	−½	4.25	1.8	4.8	13.7
631	460	SmithKline Beecham A	534	−2	W11.0	2.7	2.7	17.8
2788	2098	Do. Equity Units	2433	−30	−	−	−	17.7
298	216	Smiths Inds. 25p	216	−1	†8.9	2.9	5.5	8.5
109	71	Somic	71	.....	2.5	2.7	4.7	10.5

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels		453		3.5	10.8	1.0	12.0
225	185	Airflow Streamlines	y	198		6.0	3.9	4.2	8.1
190	165	Bostrom 5p		188		5.75	9.1	4.3	8.2
266	191	Dowty 50p		209xd	–1	9.0	◆	5.7	◆
239	143	FR Group		143		6.37	3.2	5.9	6.8
136	63	Kwik-Fit Hldgs. 10p		69		2.4	1.7	4.6	17.3
174	142	Lucas Inds.		148	–2	16.25	3.0	5.6	6.7
44	32	Lucas Inds Warrants		33	–½	–	–	–	–

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

MINES — Contd

THIRD MARKET

1990 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
57	35	Ovoca Gold IR 2p	y	38	–1	–	–	–	–
72	25	Oxford Virology 5p	y	25	–1	–	–	–	–
83	61	Poddington 5p		77		–	–	–	–
118	65	Ramsden's (Harry)	y	85		L4.5	◆	7.1	◆
60	30	Rentamaster 5p	y	33		ta1.85	2.8	‡	6.5
14	11	Scott Pickford 10p	y	13		0.43	◆	4.4	◆
38	11	Sempernova	y	16		–	–	–	3.5
36	24	Sleepy Kids 5p	y	28		–	–	–	–
2¼	1½	Swanyard Studios 1p	y	1½		–	–	–	–
3½	1¾	Systems Connections	y	2¾		–	–	–	–
94	58	Tomorrow Leisure 20p	y	58		–	–	–	22.1
55	27	UPL Group 10p	y	27		–	–	–	–
183	128	Unit Group	y	183		5.0	◆	3.6	◆
89	53	Video Magic Leis. 1p	y	53		W2.0	0.7	5.0	42.5
6¼	3¼	Vista Ents 5p	y	3¼		–	–	–	–
18	13	Vizcaya Hldgs 5p	y	13		–	–	–	–
5½	3¼	Wilton Group 1p	y	3¼		–	–	–	◆

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * *Highs and lows marked thus have been adjusted to allow for rights issues for cash*
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a *Annualised dividend.* b *Figures based on prospectus or other offer estimate.* c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or –
Craig & Rose £1	y	830	.....
Finlay Pkg. 5p	y	51	.....
Holt (Jos) 25p	y	1310	.....

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£98¼	.....
9pc Cap Ln. 1996	£96	.....
Fin. 13% 97/02	£113½	.....
Arnotts	280	.....
Carrol (P.J.) y	122	.....
Hall (R. & H.)	165	.....
Heiton Hldgs. y	72	.....
IRG	208	.....
United Drug	153	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	46¼
GEC	10
Glaxo	68
Grand Met	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	30
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	30
Rank Org Ord	70
Reed Intnl	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property	
Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Aviva Petlm	5
Brit Petroleum	28
Burmah Oil	55
Conroy Petlm	10
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res	5½
Ultramar	31

Mines	
Lonrho	21
RTZ	50

FINANCIAL TIMES
Weekend July 28/July 29 1990

Montedison merger with Ferruzzi agreed

By Haig Simonian in Milan

MONTEDISON, the leading Italian chemicals concern, is merging with Ferruzzi Agricola Finanziaria (FAF), the agro-industrial holding company of the Ferruzzi group, to create one of the biggest industrial conglomerates in Italy.

The new entity will form a plastics to soya-beans empire with estimated sales of almost L15,000bn (£6.97bn) a year and net earnings of almost L1,000bn.

The merger will also remove one layer in the complex structure of the Ferruzzi group of companies, which includes chemicals, sugar and pharmaceuticals among its main activities, and lead to direct control of Montedison through Ferruzzi Finanziaria (Ferfin), rather than through FAF as at present.

Describing the merger as "a response with the latest technology to new challenges," Mr Raul Gardini, Ferruzzi's chairman, defended the industrial logic of the deal, which had been expected for some time in one form or another.

Linking the cyclical chemicals business with Ferruzzi's more stable cash-generating agro-industrial interests would produce a much stronger entity, according to Mr Giuseppe Garofano, Montedison's managing director. FAF already owns 48.7 per cent of Montedison's shares.

Mr Gardini had been widely expected to merge FAF and Ferfin, but this had never been considered, according to Mr Garofano. To bring about the operation, FAF will raise the nominal value of its shares to L1,000 from L800 at present, followed by a bonus issue of three new FAF shares for every seven already held.

That will allow an effective one-to-one exchange of FAF shares for those of Montedison, which will be incorporated into FAF. The new entity will then change its name to Montedison and retain the group's present Milan headquarters.

At yesterday's closing prices on the Milan stock exchange, the conversion rate would marginally benefit Montedison shareholders. However, Mr Garofano weighed up their L100 a share advantage against the 40 per cent dividend increase which would accrue to FAF shareholders.

Although Ferfin will end up with only 33 per cent of the new grouping, Mr Garofano said that would be adequate to retain control.

Lloyds warns of depression in banking as bad debts hit profits

By David Barchard

THE UK domestic banking market is undergoing its most severe depression since 1982, Lloyds, the smallest of the "Big Four" clearing banks, said yesterday.

Provisions against bad debts in the UK wiped £190m from Lloyds' pre-tax profits for the half-year ending in June, which reached only £408m, well below market expectations.

Sir Jeremy Morse, chairman, said that Lloyds had seen the warning signs for the UK economy a year ago when it began to put aside large amounts in provisions against domestic debts. As a result, it had actually improved its capital strength in spite of growing pressures on its core business in the UK and the need to make heavy provisions last year against Third World debt.

Despite this, profits from personal customer and small business banking in the UK – Lloyds' main business area – fell by 27 per cent to £202m, while bad debt provisions went up sharply.

Lloyds has put aside provisions of £114m on its retail customer business, more than double last year's figure.

Its balance sheet has also been hit by a series of UK corporate failures including the collapse of British & Commonwealth. These forced it to put away a further £51m in provisions compared with only £1m a year ago.


Alan Harper
Sir Jeremy Morse: Lloyds saw warning signs for the UK economy a year ago.

Sir Jeremy said that Lloyds now considered it was well covered against bad debts in the UK and abroad. This year Lloyds, which has now made provisions covering 73 per cent of its high risk debt in the Third World, put aside only a relatively modest £66m against unpaid interest from debtor countries.

Two chinks of light showed through amid a generally discouraging performance in the UK. One was the return to profit of Black Horse Estate Agencies. These made £4.8m, compared with a loss of £5.9m a year ago.

The other was an improved performance by Lloyds' credit card operations after it became the first large bank to introduce charges on its cards.

Income from credit cards was £43m, up from £29m a year ago. But it had been achieved at a high cost. Lloyds admitted yesterday that it had lost more than 800,000 Access credit card customers by introducing its £12 annual charge, though it claims that many of them have simply switched to its Visa debit card, which is free.

Lloyds disappoints City, Page 8

Labour draws up business rates policy

By Alison Smith

A PACKAGE of incentives for councils to encourage businesses, together with a system of rebates for small companies, are planned by the Labour Party under its proposals to abolish the uniform business rate if it wins the next election.

Under the plans, which would return control over the setting of business rates to local authorities, Labour would introduce safeguards to prevent steep annual increases, such as those imposed by some councils in the past.

The policy, agreed this week by the party's national executive committee, is intended to build positive links between local authorities and businesses.

Labour MPs who have been working on the plans believe that they will meet both the criticisms of the uniform business rate expressed by Mr John Banham, the director-general of the CBI, that "it reflects neither the ability to pay nor the level and quality of the local services businesses receive." The safeguards against excessive annual increases would apply once the amounts to be raised from the new domestic rates and the new business rates were "broadly in balance," one shadow minister said this week. Once that balance had been achieved, the two charges would have to rise roughly in tandem.

This is intended to prevent councils resorting to past practices and raising an ever-increasing proportion of their revenue from the local business community rather than spreading the burden more evenly between business and their constituents.

The incentive for local authorities to encourage business, Labour believes, would come partly from the abolition of the uniform business rate itself. It would help simply to end the arrangement under which each local authority's share of the central pool of business rates is determined on a per head basis, and no account is taken of the amount of business revenue from each area, Labour says.

The reforms of central government grant arrangements should add to the effect. Under the previous grant arrangements, the equalisation grant, which acted as a cross-subsidy between authorities, was distributed through a system based on rateable values. If business grew and rateable values increased, the authority's benefit in increased revenue was matched by a corresponding reduction in grant.

The new grant distribution system would take account of personal incomes as well as rateable values, so local authorities themselves would see some financial benefit from having more successful businesses in their area. This could have a particular impact on the poorer London boroughs.

The plans also include a rebate system for small businesses, probably based on profitability or turnover. An additional criterion, recognising the social benefit from businesses, such as the general shop in a housing estate or village, may also be considered.

Though Labour does not expect the change to the new system to produce as damaging an effect on businesses as the change to the unified business rate combined with the revaluation, it would still provide transitional rebates to help businesses which faced significant increases.

There have already been some informal soundings of members of the business community. More formal consultation is due after the policy has been approved by the party conference in the autumn.

THE LEX COLUMN

Lloyds feels the cost of lending

If Lloyds Bank's interim results are any guide, one of the big worries overhanging the UK clearing banks has been overdone. Underlying profits before bad debt provisions are up by 4 per cent; and yet the dividend has been raised by 16 per cent, which is probably twice as fast as the market average over the coming year.

Admittedly, the group is extremely profitable. But its capital ratios are still noticeably weaker than they were a couple of years ago, and weaker than the competition's are now. Such a generous dividend increase at a time when Lloyds' domestic bad debts are rising rapidly is a remarkably confident gesture.

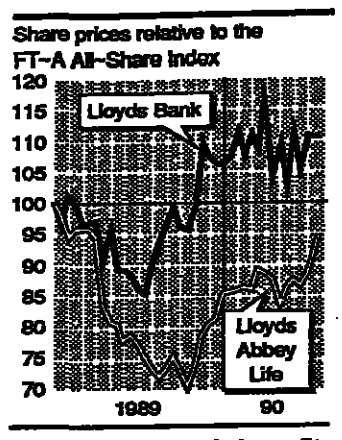
Unlike the rest of the sector, Lloyds has not tapped its shareholders for funds since 1975; so its management presumably knows what it is doing. On the bad debt front, the news is less reassuring. Domestic provisions of £190m are more than three times bigger than those of a year ago, which in turn were twice as big as the year before that. Strip out the presumably risk-free £6.7bn mortgage book and the cost of Lloyds' provisions is equivalent to an annualised 1.4 per cent, compared with 1 per cent in the 1982 recession.

Maybe Lloyds is just being over-conservative; but one shudders to think what the provisions would look like if the UK really went into a recession.

The other highlight of the results is the sharp slowdown in the growth of operating income from 21 per cent to 8 per cent. This is below the rate of inflation and explains why the clearers are under such pressure to contain their double-digit cost growth. There is no sign of any slowdown in the rate of decline in domestic net interest margins, reflecting the growing competition in UK retail banking; and there must be a limit to how much longer this can be offset by improvement in international margins.

That said, Lloyds' ability to rebuild its capital ratios is impressive and the benefit of the Lloyds-Abbey Life connection is becoming increasingly apparent. It deserves its premium rating to the sector.

FT Index fell 9.4 to 1,842.1



Markets

The contrasts in the UK equity market have rarely been more marked. On the one hand, the shares of household names such as Reuters, BTR, RTZ and ICI are savaged when they turn in disappointing earnings or when their profits are downgraded. But the market still stubbornly refuses to accept that these specific events carry any more general message about the health of the UK economy. In the US, at least, yesterday's weak second-quarter gross national product figures help explain why so many US companies have been reporting such dismal earnings.

UK investors are still taking some comfort from a strong exchange rate, the relative cheapness of UK earnings and the substantial amount of institutional cash sitting on the sidelines. Longer term, an even stronger pound is far from good news for the corporate sector; and the Chancellor has yet to prove that he can pull off his toughest trick – getting inflation down in time to enter the ERM, without losing the election or killing the corporate sector.

Oil

The fact that Opec says its oil should fetch $21 per barrel does not automatically send the world market price shooting up to that level. On the contrary, it may take five weeks or so, until the first definite indications come in of fourth quarter demand for Opec output, before it is clear whether a $21 oil price is achievable in 1990 at all. But even with world stocks at their present high level, now about 300m barrels up on last summer, the odds are increasing that for 1991 as a whole the non-Communist world will be looking at an Opec price averaging about that figure, which means Brent at about $22-plus.

To be sure, Brent was still trading at only about $19 yesterday in London. But that probably reflects a combination of two things: traders' residual scepticism about Opec's new-found unity, and the fact that given current stock levels, there is no shortage yet of oil for physical delivery.

On the first point, it needs to be said that Opec's deliberations appear to have gone surprisingly smoothly. Granted, Iraqi tanks squatting on the Kuwaiti border had a great deal to do with it; but the tone of this Opec meeting does make it look like a milestone on the way to a sustained higher prices. As for the oil glut, if Opec can make its 22.5m b/d quota stick, which now seems probable, then all it would need for stocks to start eroding is for fourth quarter 1990 demand for Opec oil to edge up above 24m b/d.

One thing that could derail this would be a US recession, something which looks more likely after this week's bad earnings news from corporate America. But speaking of the world economy, a $21 Opec oil price could add as much as 1 per cent to 1991 US inflation, never mind that of Germany and Japan.

Ferruzzi

So Mr Raul Gardini and the boys at Mediobanca are at it again, with another reshuffle of the cards in the Ferruzzi pack. The one thing we can presumably be sure of is that Mr Gardini rather than his public shareholders will be left with the aces. Last night's details of the Ferruzzi Agricola/Montedison merger came as little surprise. With that uncanny accuracy for which Italian stock market rumour is renowned, the gist of it had been all over Milan on Thursday afternoon. What remains obscure, in spite of the burblings about industrial logic, is just what the rationale is this time.

With luck, this is not a rerun of the kind of thing seen in 1988, when Mr Gardini came up with the idea of shunting Meta, Montedison's retail and financial services, into his unquoted private company, Ferruzzi Finanziaria. And on the face of it, this week's plan for swapping seven Agricola shares for every 10 Montedison shares is not going to cause the same immediate outrage. But investors are bound to wonder whether the real object of the exercise is a break-up of Montedison, particularly to release its pharmaceutical business. The Gardini interests, which would control about 37 per cent of the new entity, would of course be the chief beneficiaries.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)

Rises			
Aachener Muench	962	+	17
Brown Boveri	947	+	17
Schmalbach	321	+	9
Falls			
MAN	468	–	8
Schering	766.5	–	8
Veba	416	–	6

NEW YORK ($)

Rises			
Boeing	59⅜	+	1⅛
Exxon	50	+	1⅛
Falls			
Disney (Walt)	117⅛	–	3⅞
Merck	89⅛	–	¾
Philip Morris	46⅝	–	¾
Wal-Mart	31⅝	–	1

New York prices at 12.30.

PARIS (FFrs)

Rises			
La Henin	620	+	13
Falls			
Chargeurs	948	–	13
Dumez	724	–	21
Hachette	300	–	10
Havas	595	–	17
Radiotech	563	–	20

TOKYO (Yen)

Rises			
Koyo Iron	1690	+	110
Sanyo-Kokusaku	765	+	50
Tsuzuki Denki	2350	+	150
Falls			
Daido Steel	1180	–	120
Daishi Bank	1000	–	80
Nippon Piston	1070	–	90

LONDON (Pence)

Rises			
Multitone	73	+	5
Park Food	253	+	38
Scot Newcastle	357	+	7
Siebe	484	+	9
THORN EMI	720	+	12
Falls			
BAA	451	–	14
BAT Inds	595	–	15
BET	254	–	7
Barclays	394	–	8
Conder	65	–	13
Enterprise Oil	661	–	14
Hill & Smith	138	–	7
ICI	1028	–	14
Kynoch (G&G)	138	–	45
Legal&General	411	–	7
McKechnie	270	–	9
Pilkington	194	–	7
Rothmans B	810	–	14
Serif Cowells	66	–	12
Sycamore Hlds	18	–	7
Xtra-Vision	31	–	5

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	28	82	Dallas †	S	23	73	Madeira	C	24	75	Prague	F	27	81
Algiers	S	33	91	Dublin	C	15	59	Madrid	S	29	84	Reykjavik	R	16	61
Amsterdam	S	27	81	Dubrovnik	C	28	82	Majorca	S	30	86	Rhodes	S	32	90
Athens	S	31	88	Edinburgh	C	16	61	Malaga	S	33	91	Rio de Janeiro	–	–	–
Bahrain	S	38	100	Faro	S	25	77	Malta	S	33	91	Rome	S	28	82
Barcelona	S	27	81	Florence	S	33	91	Manchester	R	19	66	Salzburg	S	25	77
Belfast	R	17	63	Frankfurt	S	28	82	Melbourne	C	12	54	S'Francisco †	C	13	55
Belgrade	S	27	81	Geneva	S	27	81	Mexico City	–	–	–	Santiago	–	–	–
Berlin	F	24	75	Gibraltar	S	27	81	Miami †	S	26	79	Seoul	F	29	84
Biarritz	F	24	75	Glasgow	F	19	66	Milan	S	27	81	Singapore	F	30	86
Birmingham	R	21	70	Guernsey	F	19	66	Montreal †	S	21	70	Stockholm	S	26	79
Blackpool	R	19	66	Helsinki	F	22	72	Moscow	C	17	63	Strasbourg	S	28	82
Bombay	F	29	84	Hong Kong	R	32	90	Munich	S	26	79	Sydney	R	9	48
Bordeaux	F	27	81	Innsbruck	S	27	81	Nairobi	F	25	77	Tangier	C	25	77
Boulogne	R	24	75	Inverness	F	23	73	Naples	C	30	86	Tel Aviv	S	31	88
Bristol	R	19	66	Isle of Man	R	16	61	Nassau	–	–	–	Tenerife	S	28	82
Brussels	S	29	84	Istanbul	F	28	82	Newcastle	C	18	64	Tokyo	F	30	86
Buenos Aires	–	–	–	Jersey	C	20	68	New Delhi	C	33	91	Toronto †	S	20	68
Budapest	S	26	79	Johannesburg	S	18	64	New York †	C	23	73	Tunis	S	37	99
Cairo	S	34	93	Las Palmas	S	26	79	Nice	S	27	81	Valencia	S	31	88
Cape Town	S	16	61	Leeds	C	21	70	Nicosia	S	29	84	Venice	S	28	82
Cardiff	C	18	64	Lisbon	F	23	73	Oporto	C	20	68	Vienna	S	25	77
Chicago †	F	22	72	Locarno	C	26	79	Oslo	S	27	81	Warsaw	F	22	72
Cologne	F	29	84	London	C	23	73	Paris	F	26	79	Washington †	F	24	75
Copenhagen	S	23	73	Los Angeles †	S	19	66	Peking	S	28	82	Wellington	S	14	57
Corfu	S	31	88	Luxembourg	S	27	81	Perth	S	14	57	Zurich	S	28	82

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

IMF's first mission to Moscow brings Soviet membership nearer

By Leyla Boulton in Moscow

AN unprecedented International Monetary Fund mission to Moscow was hailed by a senior Soviet official yesterday as a first step towards the country's membership of the western world's most powerful financial institution.

Mr Stanislav Asekritov, deputy head of the Government's economic reform commission, said the visit by Mr Michel Camdessus, the IMF's managing director, was "a very good beginning for practical co-operation."

His comments represent a remarkable transformation from traditional Soviet hostility towards the Fund. He also suggested that the Soviet authorities were not flatly opposed to receiving assistance subject to IMF conditions, contrary to previous indications from President Mikhail Gorbachev.

Mr Camdessus, who is expected today to meet Mr Nikolai Ryzhkov, the Prime Minister, arrived in the Soviet Union on Thursday to begin work on a study of the country's economy as the possible basis for large-scale western assistance. Mr Camdessus will leave Moscow on Monday.

The report, which also involves the co-operation of the World Bank, the Organisation for Economic Co-operation and Development, and the new European Bank for Reconstruction and Development, was requested by the recent Houston summit of the Group of Seven leading industrialised nations.

Mr Asekritov said the Soviet Union's ultimate goal was to join the IMF so it could benefit from the Washington-based organisation's "wealth of experience."

"Its recommendations to our Polish friends and other countries have been very useful," he said in a telephone interview. "The final decision rests with the Fund but we are ready to join as soon as the doors open."

Previously, IMF membership has been seen by the Soviet Government as a distant goal, not least because the Fund was always portrayed as the guardian of capitalist economics. Moreover, any suggestion of IMF assistance has been dismissed because of the conditions likely to be attached.

The IMF offers balance of payments assistance to member countries in return for sweeping structural adjustments it prescribes.

Mr Asekritov said, however, that the removal of "political barriers" put up mainly by the US had now made membership more possible. Moscow would accept economic conditions for aid "as long as they are the same as for everybody else."

Mr Asekritov acknowledged, however, that the issue of conditions was still extremely sensitive for the Soviet side. "This cannot please everybody. Such control could recall a colonial system," he said.

Mr Camdessus began his consultations yesterday with Mr Stepan Sitaryan, deputy Prime Minister and head of the State Commission for External Economic Affairs, and Mr Ernst Obminsky, deputy chief of the Foreign Ministry's department for external economic relations.

The IMF chief is also expected to meet Mr Viktor Geraschenko, the central bank chairman, before he leaves Moscow.

"Peasant revolt" may hit Soviet harvest, Page 2

Dollar and stocks fall

Continued from Page 1

sion.

One clear positive feature is that underlying inflation appears to be moderating in spite of month-to-month fluctuations in the consumer price index.

The weaker than expected advance estimates of second quarter GNP and downward revisions of earlier quarters' figures prompted speculation that the Federal Reserve would be forced to consider a cut in interest rates.

US Treasury bonds rallied in response to the figures, taking the benchmark long bond ½ point higher at midsession to yield 8.50 per cent. At midsession, the Dow Jones Industrial Average was quoted 18.81 points lower at 2,901.98.

The weak US data also bruised the international equity markets and caused some sharp realignments among the dollar's major trading currencies.

In London, the FT-SE 100 closed down 14.0 at 2330.1, chiefly tracking Wall Street, but also in response to sombre corporate news at home.

Sterling, however, profited from another end-of-week rumour that Britain was to take up full membership of the European Monetary System. Traders reported that the Bank of England was in the market, buying the pound with striking effect.

The pound started the day at 93.1 on its trade-weighted index but jumped to 98.9 at the close.

It rose 2¼ cents against the weaker dollar to $1.8345, and strengthened by 1½ pfennigs against the D-Mark to DM2.9592. The pound also had a favourable reaction to the news that Opec had agreed a target price of $21 a barrel for oil.

In Tokyo, the Nikkei-Dow fell almost a thousand points overnight yesterday, and closed 506 down at 30863.58 amid fears about inflation and a possible rise in the discount rate when Governor Mieno of the Bank of Japan returns from holiday next week.

Weekend FT

SECTION II Weekend July 28/July 29 1990

Brendan Bracken (left) and Lord Beaverbrook, were close friends, members of Winston Churchill's wartime "kitchen cabinet," and two of the most colourful Press Barons and political intriguers of the century. For more than 30 years, their letters, published this week, mixed spicy gossip with a buccaneering spirit of free enterprise. They are also imbued with the affection between two men and their admiration for the great statesman who bound them together.

My Dear Max,

BRACKEN, the son of an Irish stonemason, became a Tory MP at 29, founded the *Banker*, co-owned *The Economist* and became chairman of the *Financial Times*. He was a very successful Minister of Information from 1941 to 1945. His later letters chart the triumphs and shortcomings of the "neo-socialist" Harold Macmillan and the "charter-mongering" R.A. Butler in the post-war Conservative party.

Lord Beaverbrook, born to a church minister in Canada, came under the patronage of his fellow Canadian and leader of the Conservative party, Bonar Law. His reputation as political kingmaker faded after Bonar Law's death in 1923 and he concentrated on turning the *Daily Express* into Britain's biggest selling daily newspaper. In 1940 he became Minister of Aircraft Production.

Bracken died aged 57 in 1958, Beaverbrook in 1964 aged 85. Their correspondence is now published for the first time in *My Dear Max*, edited by Richard Cockett.

ON March 15, 1939, the Germans marched into Prague and occupied the remainder of Czechoslovakia. That afternoon, British Prime Minister Neville Chamberlain, referred to by Bracken as the 'Coroner', made a statement in the House of Commons on Hitler's flagrant breach of the Munich agreement.

Bracken to Beaverbrook,
March 16, 1939,
Bishopsgate, London, EC2.
Max

Your hero Chamberlain took a pluperfect pearler yesterday. Instead of telling Parliament that Hitler had broken the promise he made at Munich, he entered into a protracted legalist argument worthy of Uriah Heep or Simon, or both.

Chamberlain's political success during the last six months (and they have been very great) were due to the feeling that Munich was a landmark of peace. The crude destruction of what was left of Czechoslovakia must inevitably create doubts in Chamberlain's judgement in the constituencies. He told the public that he brought them peace in our time. He also declared that Hitler had assured him that the truncated Czechoslovakia State would be allowed to live in peace. Germany had no desire to obtain control of alien populations!

Now that Hitler has incorporated about eight million aliens into the Reich, the worth of his promises is evident even to the stupidest elector. One of the Coroner's principal colleagues declared to me today that a National Government was inevitable, and that an effort should be made to retain Chamberlain's services by offering him the Lord Presidency of the Council! As I grow older, I become increasingly distrustful of emotional reactions, and to me Chamberlain appears a tough old gentleman who will fight for all his might against any 'real National Government' in which he will not hold the first place. He is greatly advantaged by the fact that most of his Parliamentary colleagues are subservient and stupid.

It was very stupid of him to issue his declaration of Friday that European tension was decreasing and that the German Government were becoming more moderate, and that the public might hope for a disarmament conference before the end of the year. This is the fourth time that an optimistic declaration by him has been followed by ructions in Europe.

War talk is beginning again, and will probably deepen the slump that has been with us since 1938. In my humble judgement, the fear of war is negligible if we push on with our rearmament programme and avoid internal political quarrels. My optimism is not solely based on our strength. The real hope for peace lies in the fact that the Nazi gangsters in Germany are all so conscious of their own weakness in the event of a war in which the first class powers are engaged. The Nazi bosses now live off the fat of the land. If war broke out the grim German General Staff would take command, and some of the blood and thunder Nazi bosses would be drafted into the front line trenches. The leaders of the Nazi Party have an unappeasable appetite for blackmail, but I am sure that they will stop short of war.

We rely on you to keep your noble and sharp eye on Mussolini. And to organise all the croupiers, income tax dodgers, billiard markers, and other notable citizens of Monaco into an effective opposition to the march on Nice! It may or may not be known to your lordship that during the Munich crisis, the British General Staff ordained that the Tenth Lancers (now mechanised) were to be stationed in Monte Carlo, this very able Regiment can be utilised to defend the more vulnerable parts of the ever-expanding British frontiers.

(sgd) Yrs,
Brendan

July 20, 1941.
Bracken reluctantly accepted the post of Minister of Information in Churchill's government. There was an exchange of short letters:

Beaverbrook to Bracken,
July 21 1941

My dear Brendan,

In the ordinary way, it would by looked on as a sarcastic or even an unfriendly act to offer a man congratulations on becoming Minister of Information.

In your case this is not so. You are going to make a great success in this office. Your gifts of imagination and energy will be given a scope they have never enjoyed before.

And the glory you win will be all the brighter because it shines in a dark and dismal sky.

Yours ever,

Bracken to Beaverbrook,
Ministry of Information,
Malet St, WC1.

My dear Max,

Your letter was a great encouragement to me.

I have no illusions about this job. And I would not have taken it without your backing. You know all that need be known about how to run this Ministry. And as I shall be wanting your help, you will curse the day that you pressed me to come here!

Yrs,
Brendan

Bracken was defeated in the 1945 General Election, but was re-elected at Bournemouth after a by-election that November. Britain had a majority Labour government for the first time led by Atlee, Morrison, Bevin, Cripps and Dalton. With Labour at such strength, Bracken reflected on the Tory conference of 1946 . . . .

Bracken to Beaverbrook
Princes House,
October 7 1946.
95 Gresham Street,
London, EC2.
My dear Max,

The Tory Conference is over. It was an interesting affair.

The neo Socialists, like Harold Macmillan, who are in favour of nationalising railways, electricity, gas and many other things, expected to get great support from the delegates who are supposed to be greatly frustrated by the result of the General Election and successive by-elections.

Rab Butler and the other moles engaged in research to produce a 'modern' policy for the Tory Party believed that Blackpool would be a paradise for the progressives.

It turned out that the neo Socialists were lucky to escape with their scalps. The delegates would have nothing to do with the proposal to change the Party's name. They demanded a real Conservative policy instead of a synthetic Socialist one so dear to the heart of the Macmillans and Butlers, and it gave Churchill one of the greatest receptions of his life.

I expect the Government is going to have a rough ride at the Annual Conference of the TUC. Jack Tanner and company have put down what amounts to a Vote of Censure on Bevin's foreign policy. All the big Unions are agreed in pressing for a wage policy and the National Union of Railways is pressing for the appointment of working-class socialists to the Boards which are to control transport.

Our sinuous friend, Lord Portal, is in a great state of dither. The Government have offered Leathers the Chairmanship of the Board which is to control all transport. He has refused. Morrison asked him whether Portal was fit for the job. The reply was 'certainly not.' Game, venison and other delectables are now pouring into Downing Street from Laverstoke. And the Lord is declaring that he has never been in sympathy with the Conservative Party but his long experience of South Wales has *taught him to hold the Socialists in high* honour! The greedy little eyes of our porcine friend are certainly fixed on the main chance.

Bracken greatly enjoyed writing the Men and Matters column, now called Observer, in the *Financial Times*, and Beaverbrook was an avid reader . . .

Beaverbrook to Bracken,
June 25 1950.
My dear Brendan,

I have been reading your column this Monday in the *Financial Times* on Houldsworth, the Coal Commissioner and Chairman of the Coal Board and others.

I must say that the column is so vigorous that I would like to employ you for the Daily Express, and I offer you £20,000 a year. But in depreciated £'s.

Yours ever,

In October, 1951, Churchill and the Tories returned to power, but Bracken and Beaverbrook were conspicuous by their absence from the cabinet. The following year, Bracken was elevated to the peerage, but never took his seat in the House of Lords (or morgue, as he called it.)

Bracken to Beaverbrook,
Lord North Street
January 15 1952
Westminster.
My dear Max

Many thanks for your letter.

Translation to the morgue is a curious experience.

Our Mr Butler has a stronger digestion than the toughest of ostriches. He has evacuated his charters with no sign of a blockage and is now preparing to slaughter the do gooders and easy spenders in Government service. He talks like Hicks-Beach: may he wield his axe as vigorously!

He is, I think, converted to the policy of freeing the pound and may soon create machinery for an exchange equalisation fund which is, of course, the best way of restoring a wide measure of convertibility.

Continued on Page VII

Of mad bankers and bad accountants

The Long View

BARRY RILEY

While the stock market has held steady the value of private companies has tumbled, bringing distress to many bankers and the entrepreneurs they backed

LAST FEBRUARY I wrote, in the wake of the collapse of Drexel Burnham Lambert, about the invisible crash in the values of businesses bought and sold on the private market between companies. Since then the invisible has become all too obvious.

The eye-catching tip of the iceberg has been represented by spectacular crashes such as that of Donald Trump in the US, while in the UK we have seen apparently strong and growing public companies such as Coloroll and Parkfield Group suddenly disappear in puffs of smoke. I have not seen that ominous phrase about the need for "clarification of the company's financial situation" used so frequently since the mid-1970s. Property is the worst-affected area, but the problem extends throughout the corporate sector. The accountants Ernst & Young, for instance, have estimated that the prices of unquoted British businesses fell by at least 20 per cent during the first half of 1990.

What might appear paradoxical, but isn't, is that neither in the US or the UK have the stock markets gone the same way. They have traded fairly steadily, and even in the depressed small company sector of the London stock market prices only drifted some 6½ per cent lower in January-June, according to the Hoare Govett Smaller Companies Index.

We have been seeing the all-too-predictable reversal of the freak capital market conditions which ruled up to the first half of 1989, when so much finance was available to buy unquoted businesses that entrepreneurs queued to asset-strip listed companies. At the very peak of that boom, a year ago, Sir James Goldsmith thought that the window had even opened wide enough for him to buy BAT Industries, largely on the basis of junk paper. Now, the windows are closed, bolted and shuttered. There is talk of a prudential credit crunch, which can be translated to mean a reversion to normal banking practices.

It has been essentially a battle between income-based and asset-based approaches to the valuation of companies. On the stock market shares are generally valued according to the earnings and dividend streams that are generated. This is less true in Far Eastern markets, but in London or on Wall Street the indices have been sustained in recent months by reasonable income ratios (although there is now some cause for concern, especially in the US, and also in the UK judging by the poor ICI results this week). In normal circumstances private deals are also income-based, in terms of multiples of profits, but in the late 1980s the emphasis began to be placed more and more on asset values: that is, a business was worth $100m because somebody else could always be found to pay at least that much for it.

It was mostly the fault of the banks, which in the wake of the collapse of Third World debt were desperate to find new, safer, lending opportunities much nearer home. The junk bond promoters, led by Drexel, also fuelled the fire. The point was that the income-based approach set a limit on the value of businesses because the interest had to be serviced out of profits, with a safety margin. And if interest rates were high, as they certainly were on junk bonds, the servicing capacity for debt was correspondingly low.

But if you forgot about the need to cover interest outgoings the limits were suddenly removed. The interest could be rolled up, and paid for out of the profits from disposing of some or all of the assets. And the prices would always be higher, because the bank loan syndicators and the junk bond houses were eager to create more and more debt and earn higher and higher fees. No wonder the fuddy-duddy stock market was left struggling to catch up with all this.

Until, one day last October, it became clear that airlines and hotel chains could not, after all, be sold on indefinitely at ever-sillier prices. The game ended. The banks drafted reinforcements into their bad debt departments. Drexel shut up shop. Donald Trump suddenly ceased being a billionaire and now is forced to subsist on pocket money of a mere $450,000 a month.

In the UK we are now learning just which public companies borrowed too much money to buy overpriced assets and used creative accounting to cover up the deficiencies in their income statements. Unfortunately, to judge by the example of Parkfield Group, which collapsed from apparent solidity to financial oblivion within six months, it does not seem possible to detect such misbehaviour from their published accounts.

A lot of the mud is going to stick, rightly, on the accounting profession. The auditors have a lot to answer for, but aggressive finance directors have been the worst offenders, pushing noisily for a *laisser faire* approach in brand valuation and goodwill accounting. It would be very dangerous to put values on highly volatile brand names in a balance sheet, and as for goodwill on acquisition, the UK companies like Saatchi & Saatchi which took advantage of lax British accounting rules to buy up US service companies have mostly come badly unstuck. They were able to outbid American rivals who would have been forced to write off the goodwill against earnings, but the advantage, if it was one, only tempted them to pay too much.

This ill wind may at least blow some good for the new Financial Reporting Council, which will soon have to hand a vintage collection of demonstrably misleading annual accounts. There is an urgent need for a much tougher approach in areas such as merger and goodwill accounting, off-balance sheet manipulation and inflation accounting.

But when bankers go mad, it takes more than rigorous accounting to offset the damage that they do.

CONTENTS

MARKETS

FINANCE & THE FAMILY: THIS WEEK

Revealing dealings

Patrick Harverson introduces a new weekly feature detailing share transactions of company directors. Plus, Dunsdale Securities has been laid to rest — **Eric Short** explains why investors will have to wait for their money. **Page III**

Turmoil for private brokers

Barry Riley looks at the ways in which clients are suffering as small firms are squeezed. Plus the prospects for the big banks, which report their results next week. **Page IV**

Eastern mysteries

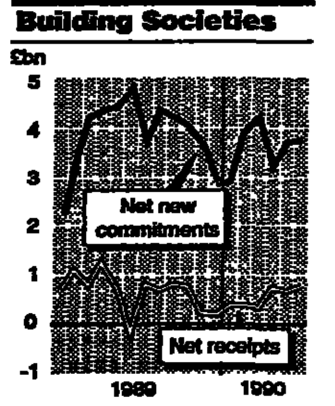
Eastern Europe is still a financial maze. **Judy Dempsey** guides the traveller through currency black markets while **Sara Webb** examines the problems facing fund managers with money to spend and nothing to buy. **Page V**

Minding your own business

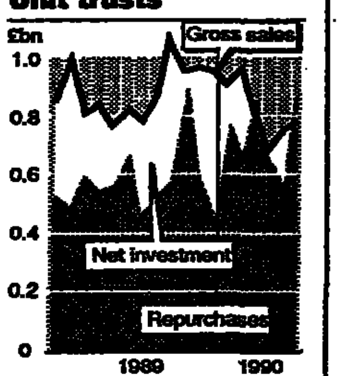
A source of inspiration in a worked-out quarry and the search for inspiration in the home office. **Page VI**

■ **BRIEFCASE:** Tax avoidance and accountants — **Page V**

Building Societies



Unit trusts



Net savings double in second quarter

Savers are slowly reacting to the hike in interest rates made by building societies in the early spring. Net savings in the second quarter this year doubled those of the first quarter to reach £2.3bn, and savings last month, at £809m, were the highest monthly figure since last September. On the mortgage side of their business, the building societies are still holding up well, despite the continuing sluggish housing market. Net advances in the second quarter were slightly ahead of the first quarter, at £10.95bn on 199,000 houses against £10.62bn on 185,000 houses. *Eric Short*

Unit trusts monthly outflows break record

At first sight, June would appear to have been a disaster month for the unit trust industry: a record £63.8m net outflow of funds and repurchases of £851.8m suggest that investors are getting out of unit trusts in droves. However, closer inspection shows that it was just two life companies, Allied Dunbar and Standard Life, which by switching £243m worth of units into equities sent net investment into the red. Once these switches are taken into account, sales of £788m and repurchases of around £609m leave net investment of around £180m, which is about par for the course these days in unit trust sales. From now on more life companies can be expected to switch out of units into the underlying equities for tax reasons. Life companies have until the end of next year to make such switches on favourable tax terms. So until then the monthly sales figures are going to be somewhat distorted. *ES*

Banks unveil student incentive packages

National Westminster and Midland Bank both came out with details of their student packages this week.
NatWest is offering £30 in cash to first-year students who open an account with them. The money will be paid into the account once the first grant cheque arrives. Students will be able to get an interest-free overdraft of up to £300, and will be paid interest at 6 per cent when in credit. There are no bank charges even when the account is overdrawn. Students will receive a Servicecard which acts as a cash withdrawal, cheque guarantee, and Switch card

Midland is offering £25 in cash to students plus a free discount coach card and commission-free sales of travellers cheques and foreign currency. It will pay interest of 8.58 per cent net, provide a cash withdrawal/cheque guarantee/Switch card, and offer interest-free overdrafts up to £300. *Sara Webb*

UDT opens high-interest cheque account

United Dominion Trust, the finance house arm of TSB, has launched a high interest cheque account called Capital Plus. Interest is paid quarterly at a current rate of 11.39 per cent net, equivalent to a compounded gross annual rate of 15.42 per cent. Standing orders and direct debit payments can be arranged, but withdrawals must be for a minimum of £200. The first 15 debits each quarter are free, after which is there is a charge of 50p per debit. *David Barchard*

Audio guide for investors

National Savings have produced a free audio cassette for investors who have difficulty reading. The tape, "A Guide to Savings for Non-taxpayers" outlining their range of savings products, is available free from Freephone 0800-868700. *SW*

LONDON

Footsie catches a summer cold

IT IS debilitating, contagious and taking on the dimensions of an epidemic: cautious trading statements are catching.

Even the Government is developing the symptoms, judging by the Chancellor's statement on Tuesday that the inflation rate is unlikely to come down to the treasury's internal target of 5 per cent by the middle of next year.

If that sort of news had been transmitted through the Stock Exchange's company news service it would have sent shareholders in UK plc scurrying for the exits, especially coming on top of the widening trade deficit revealed on Monday.

The pound dutifully responded to its master's voice and fell on the day, but the equity market was already so well-stocked with bad news — both in the US and the UK — that John Major's caution appeared to go unnoticed.

It seems doubtful whether the Chancellor noticed it himself. Within 24 hours he was up to his old ERM tricks again, welcoming the recent strength of the currency, and reaffirming the Government's commitment to entering the exchange rate mechanism. Just how often a commitment can be reaffirmed before it becomes part of our national consciousness only the Government can judge.

As seemed possible at the end of last week, equities were shaken on Monday by unhappy trading on Wall Street. The FT-SE 100 Index slipped from its precarious perch atop the 2,400 mark, dropping more than 40 points on the day as corporate earnings tumbled in New York.

The market's response to its own bad news from a trio of Footsie companies was more worrying.

Reuters Holdings and Reed International were hit on Tuesday. Reuters, the financial information and news group, actually produced a 23 per cent increase in pre-tax profits for the first half, to £167m. But added that cancellations of Reuters services had increased. If Lord Hanson had just been appointed Archbishop of Canterbury, the market could not have been more surprised. The share price dropped 15 per cent on the day, and ended the week down 215p at 1052p.

The publisher Reed International also suffered at the hands of a surprised market, when Peter Davis, the group's chairman, indicated at its annual meeting that profit growth would be held back in the current year. Reed's shares ended the week down 10 per cent at 422p.

Shock number three came from ICI, the chemicals group often regarded as a barometer of British corporate well-being. On Thursday, the company announced that first-half profits had fallen more sharply than anybody had expected, down 21 per cent to £733m before tax. Weak demand has struck the chemicals industry, and has taken a particular toll on ICI's bulk chemicals operation. Over-capacity is one problem bugging the industry in developed countries, and was also part of the reason for ICI's withdrawal from the western European fertiliser industry: the company announced the £75m sale of its loss-making UK operations to a Finnish company on the same day. ICI's shares continued downhill yesterday, ending 110p lower on the week at 1026p.

Footsie closed a week of emaciated trading down 70 points at 2,330.1, and next week's nervous season of bank results (heralded by Lloyds Bank's £190m of UK bad debt provisions yesterday) is still to come. The market as a whole may be underpinned by institutional liquidity, but if individual, well-researched stocks are that vulnerable to downgrading, who can count on the stability of others?

Meanwhile — bored, perhaps, with stalking mere quoted prey — Hanson has taken a shine to the family silver, expressing an interest in buying PowerGen, the electricity generating company, from the Government.

Hanson is not the only ambitious conglomerate or potential conglomerate in the takeover jungle. On Thursday, Mountleigh, the property and retail group, announced it had lost £46.8m before tax in 1989-90, compared with a profit of £69.3m in the previous year. That would normally be the signal for shareholders to bail out. But last November two US entrepreneurs took control. Nelson Peltz and Peter May are not short of ambition: they want to sell Mountleigh's under-performing property portfolio, reduce debt of £600m and make a £1bn European acquisition. The criteria for potential purchases will look familiar to conglomerate-watchers — cash generation, asset backing and so on — but the real question is how quickly and how safely Mountleigh's new chiefs will be able to put their plan into action. Investors can expect an exciting ride.

By contrast Unilock Holdings, an office partitions group, has had enough of the roller-coaster. Size is no guarantee of share price security, as Footsie's losers can testify this week, but at least people take notice of large companies. Unilock threw in the towel last month, expressing disillusionment with the market's indifference to smaller companies and putting itself up for sale. On Thursday it announced that Yule Catto, the speciality chemicals, building materials and plantations group, had made a £24.6m agreed offer for the business.

A crop of corporate news on Wednesday illustrated how few sectors are escaping the squeeze. Budgens, the food retailer, reported a fall in profits to just under £12m before tax, complicated by exceptional items and provisions; pre-tax profits at Hepworth, regarded as one of the better stocks in the building sector, slipped 6 per cent to £50.1m in the half; and Misys, the computer systems and services group, warned of tough trading conditions.

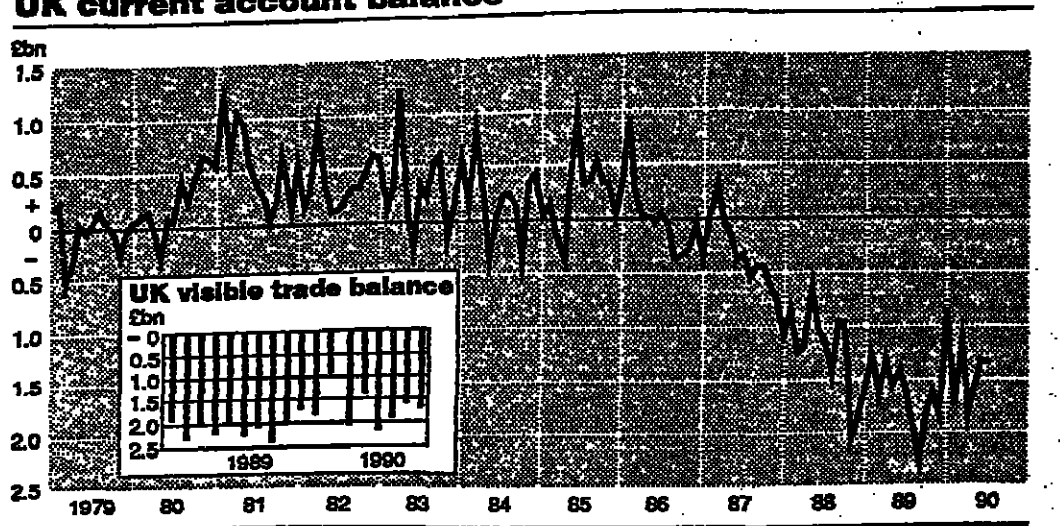
Even fine art, the rich investor's hedge against inflation, may be losing some of its attraction as a haven for serious money. Both Sotheby's Holdings and Christies International reported their 1989-90 sales this week. Sotheby's rose 39 per cent to $3.2bn in the season, and Christies showed about the same rate of increase to $2.38bn. But demand for Impressionist and modern art has slackened: in 1988-89 Christies' sales rose 63 per cent and the Sotheby's figure was up 58 per cent.

If tension between Iraq and Kuwait persists, tycoons may be better advised to switch from art to that old standby investment, oil. The increase in the cost of a barrel of crude did not help Lasmo in the first half of 1990, although the independent UK oil producer still managed to push up after-tax profits by 17 per cent, but the share price has had a good week: up 19p to 441p.

When the possibility of war in the Middle East is the best news in the market, you know it has been a bad week.

Andrew Hill

UK current account balance



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1990 High	1990 Low	
FT-SE 100 Index	2330.1	-70.0	2463.7	2103.4	Wall St. weakness/co. results
BAT Inds.	595	-39	745	583	US court ruling on cigarettes
EMAP	230	-24	257	192	Profit-taking after strength
GEC	191	-11	245	186	Defence cuts/poss. PowerGen bidder
Grand Metropolitan	640	-23½	681	533	Repercussions of McDonald's results
ICI	1026	-126½	1283	1024	Fall in interim profits
Macarthy	189	+25	280	163	Buyers drawn by yield attractions
North West Water	236	+11	242½	207	County NatWest 'buy' note
Racal Elect.	196	-12	259	180	Broker downgrades forecast
Reuters	1052	-215	1318	970	Warns of slower growth
Storehouse	138	+13	139	97	Higher profits expected
Sun Alliance	319	-19	350	282	Losses expected at halfway stage
Tate & Lyle	282	-21	320	267	Broker lowers forecast
Thames Water	236	+19	241	197	Firm water stocks
Unilock	104	+20½	106	57	Agreed bid from Yule Catto

WALL STREET

Fears long suppressed

IT WAS A week when raw fear finally showed through, when Wall Street's perspiration index soared.

For over a month now the US equity markets have been behaving rather like someone with a passion for deodorants.

How simple, how sweet smelling and how controlled life becomes when you get up every morning and spray on (or roll on, in these environmentally conscious days) a little bit of self-confidence: Forget fundamental analysis, forget the difficulties of the economy, the Dow Jones Industrial Average is going to burst through 3,000.

But this week, after flirting extensively with the 3,000 mark yet failing to close above that level, the Dow took a savage dive. There was a fleeting glimpse of fears long suppressed. Armpits began to sweat visibly.

Nothing could illustrate the underlying edginess of Wall Street better than the proximate, and relatively minor causes of Monday's great dive, when the Dow lost well over 100 points before the application of market circuit-breakers, which are designed to slow trading and prevent free-fall. (The Dow ended the day only 56.44 down, but that was due in considerable measure to a rally in oils, which continued throughout the week, in the expectation of higher crude prices).

First, Wall Street was reacting to slightly worse than expected figures from McDonald's, the hamburger chain. Its shares were savaged. The market is being particularly unforgiving to stocks which fail to meet earnings projections, and that includes those blue chips growth companies, like McDonald's, which have been giving the market much of its recent upward drive. As yesterday's heroes fall from grace, so do the number of stocks maintaining the market's momentum.

Second, it was reacting to reports of financial trouble at an obscure student loans body, which is backed by the federal Government. This hardly constitutes a threat to the stability of the financial system, but it does underline twitchiness about the quality of much lending by commercial banks, which have been busily bolstering their provisions against real estate and highly leveraged takeovers which have turned sour.

Third, there was some confusion about the Federal Reserve's intentions towards interest rates, following testimony in Washington by Alan Greenspan, its chairman, who was seen to be ambiguous about his policy for trading off the fight against inflation and the economy's slow growth.

Yesterday, however, came GNP growth figures which would seem to add pressure on the Fed to ease monetary policy beyond its recent limited downward nudge to the Fed Funds rate: second quarter growth was provisionally estimated at only 1.2 per cent, well below the consensus forecast of 1.8 per cent, and below the first quarter's revised 1.7 per cent. Furthermore, much of the growth stemmed from a rise in inventories.

With inflation figures much as expected — 3.9 per cent, using a fixed weight deflator — political pressures on the Fed to ease its stance are bound to be strengthened, and that belief gave a fillip to the bond market yesterday.

But the outlook for equities is far more equivocal. Yesterday's figures suggest that the economy may at best muddle on, with GNP mirroring the lacklustre first six months. At worst, the recession already rolling across several regions could spread nationally either this year or next.

Certainly, the second quarter results announced so far have done nothing to lighten the gloom. According to one analyst at Prudential-Bache, while 18.5 per cent of companies have reported stronger than expected results, 24.6 per cent have reported weaker-than-expected ones.

Such statistics may well tell us more about Wall Street's predictive abilities than the state of the economy. What is more disturbing is the number of businesses themselves sounding warnings about the outlook for the rest of the year.

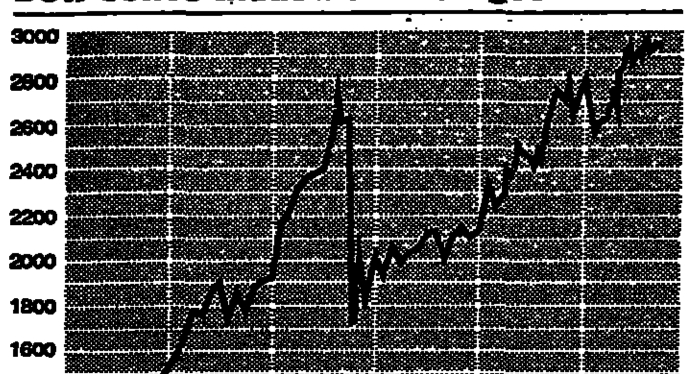
This week, for example, Dow Chemical not only reported a sharp drop in second quarter profits but said that second half results were likely to be even softer. Capital Cities/ABC, the media group, said its third quarter earnings might dip if demand for television and newspaper advertising did not pick up.

General Motors and Ford, the two biggest motor manufacturers, both reported sharply lower earnings, partly because of the depressed state of the US market and partly because of troubles abroad. Ford made some more optimistic noises about the third quarter outlook in the US, when both companies intend to raise production, but motor analysts are divided as to whether June's more promising sales figures are sustainable at a time of crumbling consumer confidence.

Monday	2904.70	— 56.44
Tuesday	2922.52	+ 17.82
Wednesday	2930.94	+ 8.42
Thursday	2920.79	— 10.15

Martin Dickson

Dow Jones Industrial Averages



JUNIOR MARKETS

An unhappy birthday

THE WAILING and gnashing of teeth over the difficulties faced by the Unlisted Securities Market grows ever louder in the run-up to its 10th anniversary in November.

Worries about dwindling new issue volume and diminishing liquidity, combined with numerous disaster stories emerging from the UK small company sector, leave little time for self-congratulatory reflections on the market's achievements during the 1980s.

Not the least of these was the role played by the USM, Europe's path-breaking junior market, in encouraging other international stock markets to set up similar arenas for small companies. Such moves were made by the Netherlands in 1982, France in 1983 and West Germany in 1987.

Price Waterhouse, the accountancy firm, is planning a conference in London to coincide with the November anniversary which will bring together experts from such other junior markets around the world to swap information on points of common interest. But Glyn Barker, a PW partner, this week added to the gloom about the USM by warning that the UK's market was not likely to shine by international comparison.

Announcing that the conference would take place, he said: "Unfortunately, events in other second markets in Europe have left the USM behind . . . the USM is no longer the largest and, arguably, no longer the most sophisticated. Many of the [other] markets are operating much more efficiently and are currently more successful in performing the primary function of financing business growth."

However, any idea that the other markets have proved immune from the difficulties suffered by the USM would be far from the truth.

In his speech, Barker contrasted the USM's current state with the impressive record of France's Second Marche, now the largest of its kind in Europe in terms of market capitalisation, with a value of about Ffr200bn (£20bn) against the USM's £8.5bn.

About a third of companies on the Second Marche traded outside Paris, and France's six regional stock markets — especially Lyon — have played a big part in its success. Smaller companies that might have been neglected in Paris have been able to attract an enthusiastic following from local investors.

Other Second Marche companies have been able to shine even in the capital: it was on this market, for example, that the flotation of Yves Saint Laurent, the couture house, took place a year ago. This was so successful it had to be postponed and relaunched at a higher price.

However, according to Herve Lemee, head of listings at the Paris bourse, all is no longer rosy with the Second Marche. New flotations during the first six months of this year were down — to 15, compared with 22 last year — and this cannot be blamed on economic problems in the country. "We are still feeling the effects of the 1987 stock market crash. Companies seem to be hesitating. Some are scared to be listed," he says.

The popularity of the Netherlands' so-called Parallel Market has also waned this year. At end-December 1989, 64 companies were listed. At the end of June, there had been a net loss of one constituent after three companies had joined. But then the Parallel Market, which earlier had developed a reputation somewhat similar to the old over-the-counter market in the UK, never had proved a success. A spokesman at the Amsterdam stock exchange admits: "It was not considered respectable."

However, the stock exchange has been trying to improve its image. This has included a publicity drive to increase awareness of the market and, more significantly, a stiffening of the requirements for entry.

The exchange is changing the minimum length of the trading record which a company must show in its prospectus from two to three years. The thinking is that this move should increase the numbers of new entrants rather than depress them: the more exclusive the club, the more people will want to join. In addition, an Amsterdam stock exchange spokesman says: "We think three years is the least that is necessary to be able to see if a company is developing properly."

London went the other way this year: at the same time as the USM and Third Markets were merged, the USM's trading record requirement was reduced from three to two years, while that for the official list came down from five to three. Some said the change marked a demotion of the USM and would put off potential recruits. Indeed, Barker is likely to have ruffled feathers at the Stock Exchange this week when he cited the rule changes as well as a worsening economic outlook as producing a "distinctly unhappy" USM.

New issue volume has indeed declined this year. But there are so many other explanations for this that there is no need to label this regulatory change as the prime culprit. And it has yet to be seen if the changes in Amsterdam will prove the making of the Parallel Market.

Clare Pearson

Reuters makes the news

BEING the bearer of bad news is never a happy task. It must have been particularly painful this week for Reuters Holdings, the financial information and news group, to inform the world that its full-year profits would be lower than the markets had been expecting.

As soon as the company's half-year results and warning about increasing cancellations flashed up on Reuters screens around the world on Tuesday, dealers started to sell the glamour stock. At the end of the day which saw more than 10m shares traded, the shares closed 15 per cent lower at 1045p.

One should not overdo the gloom, however. Reuters reported a healthy 26 per cent increase in interim earnings and full-year profits are still likely to be up by 20 per cent. Even after the drop in share price, it is still one of London's most highly rated stocks.

So how does the investor judge the performance of Reuters, which now earns less than 10 per cent of its turnover from the international news agency business which the German immigrant Paul Julius Reuter founded in London in 1851, complete with carrier pigeons?

Because Reuters is so dependent on providing instant financial information and trading services to dealing rooms and financial institutions around the world, it was one of the most spectacular victims of the 1987 crash, with its shares falling from 900p to 395p. The steady rise in the share price since Black Monday has been fuelled by the realisation that the crash did not presage another depression.

Another factor buttressing the price has been the growing enthusiasm for Reuters shown by Wall Street investors. Some 48 per cent of the company's shares are now held as American Depositary Receipts, up from 46 per cent since the end of last year.

One reason for US interest is that, unlike British investors, Americans do have a sector into which they can place Reuters — and the comparison has tended to flatter the British company. Information-based companies such as Dow Jones, McGraw Hill and Dun & Bradstreet have all been on higher price/earnings ratios than Reuters, even though most analysts agree that they are not so well managed.

Analysts' forecasts of this year's profits were scaled down after Reuters warned that it faced increasing cancellations of its screen-based financial services, particularly in the UK, US, Taiwan, Hong Kong and Australia.

However, the main opportunity — and uncertainty — concerns the performance of Reuters new automated trading products. These include the second phase of Dealing 2000, which will provide automated matching of foreign exchange buy and sell orders, and Globex, which will provide similar after-hours facilities for futures trading. Both have been delayed but Glen Renfrew, Reuters' managing director and chief executive, said both should start producing revenue in the final quarter. The lucrative aspect of these systems is that in addition to a rental fee, Reuters also receives a payment for each transaction carried out through systems.

John Clarke, an analyst with Daiwa, estimates that three new Reuters products — phase two of Dealing 2000, Globex and Money 2000 — could make £40m-£50m next year and generate as much as £250m by 1995. He is confident that Reuter will remain "the number one high-technology stock for the 1990s in the UK," and the company certainly still seems to be on a high-growth path, in spite of this week's correction.

Although Wall Street reacted adversely to a downgrade from a supposedly glamour stock, it seems likely that most existing investors will continue to back their faith in Reuters to ride the tide towards global financial electronic market.

Those wishing to join the party now must ask themselves how much of this good news is already in the price. Reuters is inevitably linked with the fate of the financial markets, as was demonstrated in the 1987. Should one pay more than 24 times earnings for shares in a company which not only helps create market sentiment, but could be savaged by an adverse change in the mood of the world's markets?

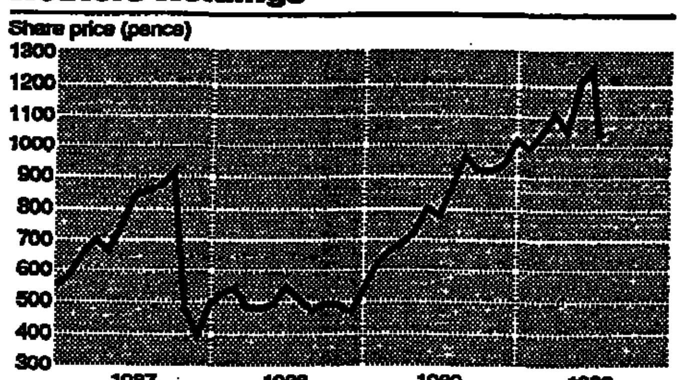
One thing is certain: nothing would succeed like a Reuters service which could have told at the begining of 1988 how well the shares would perform over the next two years . . .

■ Directors' share transactions, page III

Andrew Bolger

Reuters Holdings

Share price (pence)



Patrick Harverson introduces a weekly service which will track directors' transactions in their own companies' shares

How to read the minds of the people in the know

IT REMAINS one of the oldest truisms of investment analysis that the people who know the most about a company are its directors. The army of well-paid analysts at City stockbroking houses may think of themselves as the experts, but when it comes down to knowing the true condition of a company's health, directors will always have the advantage.

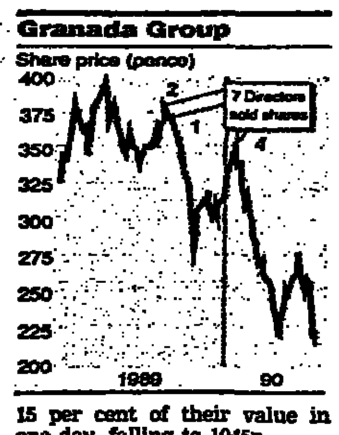
So logic dictates that a decision by a director, or more importantly, several directors, to buy or sell shares in their company has a real significance for shareholders. And if logic does not dictate that directors' dealings matter, then history certainly does.

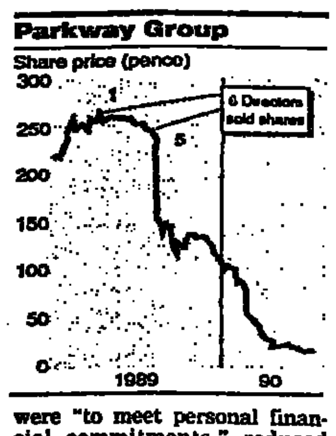
The past few years are littered with examples of directors buying shares just before a marked and steady rise in the share price, and of directors selling not long before a sharp and sometimes sustained drop in the price.

Take Parkway, the pre-press production services company. Once a shooting star on the Unlisted Securities Market, it was the proud holder of the title USM Company of the Year for 1988. In the spring of 1989 a director sold 40,000 of his shares at 265p. On its own, that would not have been remarkable. Yet four months later a further five directors, including John McKimmie, the chairman and chief executive, sold sizeable chunks of their holdings for 245p. In August a profits warning was issued, and the share price dropped sharply. By September McKimmie had stood down as chief executive and the share price was in a downward spiral. Parkway shares currently languish at 19p.

Another example is Granada, the television, leisure and business services group. Three Granada directors sold shares for around 370p in the summer of last year, and the price fell almost 100p in the following three months. A recovery ensued, then another four directors sold stock at the beginning of this year, again around 370p. Since then the price has fallen to 220p amid statements from Granada that trading continues to be affected by weak consumer spending in the UK.

The best recent example is Reuters. In May, four directors sold over 60,000 shares worth more than £610,000. Last week Reuters published satisfactory *half-year figures*, but announced that profits in the second half would be affected by an increase in cancellations by customers of its screen-based services. The shares lost





15 per cent of their value in one day, falling to 1045p.

The sale of shares by Reuters directors came almost exactly two months before the announcement of half-yearly profits. Directors are not allowed under Stock Exchange rules to trade in their own company's shares within two *months of the publication of* results. The Reuters' directors sales were just outside that time limit.

One of the sellers of stock was Nigel Judah, the finance director and company secretary of Reuters, who sold a total of 30,000 shares in May worth nearly £340,000. Judah sold the final chunk of his stock, 10,000 shares, on 24 May – the last possible day he could have traded in the company's shares before the Stock Exchange deadline.

The sales, which Judah said were "to meet personal financial commitments," reduced his beneficial holdings to 205,000 shares. Reuters pointed out that all the transactions were within its rules on directors' dealings and that it was content to let its executives exercise their choice in respect of their personal financial *affairs*.

Of course, the clustering of sales by directors of any company just before a Stock Exchange deadline may simply reflect a bunching up of transactions that, but for the two-month embargo on deals, would have been spread out over the following weeks.

We should also emphasise that it is not suggested in any way that any of the directors in the examples above acted on "inside" information and broke the law. Yet a shareholder who tracked and copied their behaviour would have saved a considerable amount of money.

Of course, both examples benefit from hindsight, but the link between directors' dealings and price movements has been established *for some time*, particularly in the US where it has long been used as an investment tool.

In the UK a growing number of companies are selling information on directors' transactions to investors, both private and institutional. BRI Information Services of Birmingham has been offering daily reports of directors' dealings to its institutional investors since 1976. Bill Moore, chairman of BRI, says subscribers to his service (£1,800 a year for the daily and monthly reports) have been acting on their information dealings for years, citing Next, Burton, Amstrad and Harris Queensway as notable successes.

Another company that monitors trading by directors is the *London-based* Directors Dealings, which sends out a weekly publication covering all transactions for a cost of £680 per year. The most recent entry into what is a fast-growing market is Directus, an Edinburgh company set up by Angus MacDonald, a former analyst at Laing & Cruickshank and fund manager at Martin Currie.

Directus – motto: "Actions speak louder than words" – has been up and running *for* two months and charges institutional investors £2,500 a year for daily information and analysis of directors' dealings. It has just launched a cheaper version for smaller investors priced at £460 per year for a monthly service.

Of course there are plenty of simple reasons why directors trade in *their own* company's shares, none of which have any bearing on the future performance of the company. A director *may* sell shares to pay for a daughter's wedding, or to settle a large tax bill, or pay for a holiday. They may also be selling because they feel the shares are overvalued by the stock market and heading for a downward correction.

When a director is seen buying shares, he or she may simply be exercising his rights to an options contract. This can be taken as an indication of a director's faith in the company's trading prospects, but Bill Moore of BRI warns that directors *often sell stock within* days or weeks of taking up the options rights. For Moore, the clearest signal to investors is when directors spend their own money buying stock at the market price. They will want to be pretty confident that the price is going to rise before putting more of their own money at risk.

However, there remains a *large grey area when directors* trade in their own company's shares. It lies between acting upon genuine optimism or pessimism about a company's prospects, based upon knowledge acquired as a working director; and acting upon information unavailable elsewhere and likely to have a considerable impact on the share price.

The latter is covered by the statutory provisions in the Company Securities (Insider Dealing) Act 1985, which prohibits the use of privileged information to buy or sell shares for personal benefit. There are also regulations governing director's share transactions laid down by the Stock Exchange, somewhat quaintly called, the "Model Code." *It* states that directors:

■ *Should* not *deal in their* company's securities on considerations of a short term nature;

■ Will always be thought to be in possession of more information that can at any particular time be published;

■ Should not purchase or sell shares for a period of two months prior to the publication of results;

■ Should not deal in shares prior to the announcement of matters of an exceptional nature.

Although the Model Code is quite clear about what directors can and cannot do, *it* has more gums than teeth. Intended only to provide guidelines to directors' behaviour, *it* is not enforceable by law. The Stock Exchange has the powers to reprimand a company which has *broken the code*, or suspend its shares for more serious cases. The final sanction is to delist the shares altogether.

Any hard evidence of insider dealing uncovered by the Stock Exchange is passed on to the Department of Trade and Industry, but there appear to have been few cases where directors have been successfully prosecuted for unlawfully trading in their own company's stock.

Information on directors' transactions is not enough on its own to signal impending movements of significance.

Analysis and interpretation is required to make sense of the basic data and questions need to be asked, such as – What is the size of the director's shareholding? What is his position in the company? Was the transaction linked to options schemes? – before it can be put to use in investment decision-making.

Generally, when there is a simple explanation for a transaction the information is discarded. But when the company or a director cannot, or will not, provide an explanation for the deal, then the alarm bells should start to ring, and the shareholder should sit up and take notice.

Information on directors' dealings is available to anyone from the Stock Exchange. What companies like BRI, Directors *Dealings and* Directus do is take it all (there is a huge amount) and sift through it, looking for the tell-tale signs that might indicate transactions of interest. The sight of directors acting in unison or in size is regarded a particularly good early warning system for the investor.

Share transactions can also be monitored to measure the confidence of company directors in the economic outlook and in the stock market. A ratio can be calculated showing whether directors are selling or buying more of their own company's shares. A positive ratio, which means directors are buying more than selling, suggests that directors are confident about the outlook for share prices and for the economy as a whole.

Mark Kane of Directors Dealings goes a step further. He argues that experience shows UK directors collectively are excellent judges of when the stock market has reached a peak or a trough. He notes that the overall directors' buy/sell ratio has been highest when share prices have reached cyclical lows, and lowest at cyclical highs.

Kane points out that the buy/sell ratio is low and falling steadily, indicating that company directors believe UK share prices may have peaked and are heading for a sustained decline.

■ *From this week, Directus will supply Finance and the Family with a list of directors' share transactions every week.*

Further information: Directus, 1 Rothesay Terrace, Edinburgh EH3 7UP (031-220-0468); BRI Information Services, Neville House, 42-46 Hagley Rd, Birmingham B16 8PZ (021-452-1842); Directors Dealings, Burne House, 88-89 High Holborn, London WC1 6LS (071-404-3384).

DIRECTORS SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM) JULY 16–20

Company	Shares	Value £000s	No. of Directors
SALES			
EMAP	20,000	48	1
Howden Group	25,000	38	1
Marks & Spencer	30,000	72	2
Marks & Spencer	80,588	200	1*
Menzies(J)	15,000	53	1
Microfilm R'aphics	25,000	64	1
Morrison(W) Supermkts	100,000	187	1
Parkland Textiles	15,000	30	1
Prudential	10,461	24	1
Sainsbury(J)	31,939	95	4
Scottish TV	200,000	1,040	1
Spandex	9,500	21	1
Storehouse	19,858,907	23,533	1
Telfos	6,000	13	1
Tiphook	1,250,000	6,863	1
Trusthouse Forte	75,000	223	1
United Friendly("B")	10,000	27	1
Vivat Holdings	50,000	28	1
Whitbread & Co	10,000	45	1*
PURCHASES			
AIM Group	7,500	14	1
Archer Holdings	1,000	11	1
Bennet & Fountain	100,000	34	1
BHH Group	650,000	403	2
Braithwaite	330,000	660	1
Clarke Hooper	7,150	10	1
Haggas (John)	25,000	11	1
Holmes Protection	450,000	47	1
NOBO Group	13,500	17	1
Northern Foods	5,000	17	1
Parkland Textiles	5,000	10	1
Rothmans Int'l ("B")	3,500	27	1
Rothschild(J) Hold's	500,000	704	2
Stirling Group	312,500	134	1
Waddington(J)	15,000	24	1
Wyndham Group	133,000	255	1

Companies must notify the Stock Exchange within 5 working days of a share transaction by a Director. Included in thes list are all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000.

Source: DIRECTUS LTD, Edinburgh

DIRECTORS TRANSACTIONS

Retailers lead week's sales

DIRECTORS OF food retailing companies have been lightening their holdings over recent weeks. The trend continued this week, with sales in Marks & Spencer, J Sainsbury and William Morrison Supermarkets. Although the sale of the majority of Sir Terence Conran's holding in Storehouse is substantial, it is understood that this was due to the financing needs of *the Butlers Wharf property* with which he is involved, and is therefore not unduly significant. The chairman, Ian Hay Davison, has in fact been buying shares this year.

BHH was subject to discussion about a possible management buy-out although this has now been terminated. The chairman and finance directors have subsequently bought considerable amounts of stock, with a substantial number of share options also being granted. There was also heavy buying in J Rothschild Holdings, with two directors buying more than 1.5m shares last month. The purchase of *shares in Stirling Group* was by the chairman, following two other directors who were buying recently. Several directors dealing together is usually worth noting.

Investors face a wait for compensation, reports **Eric Short**

Dunsdale finally laid to rest

THE COLLAPSE of Dunsdale Securities entered its final stage this week as far as the unfortunate investors are concerned.

The Investors Compensation Scheme announced on Wednesday that its directors had declared that Dunsdale Securities was in default.

This announcement might seem superfluous, but it is the first formal step in the procedure to compensate investors for their losses. They can now look forward with confidence to receiving at least some of their investment back in due course.

However, investors should be warned that it could well take months before they receive any payment. And for some bigger Dunsdale clients, the amount of compensation may seem niggardly in relation to the size of their investment.

The compensation scheme was established by the Securities and Investments Board (SIB) in 1988, as required by the 1986 Financial Services Act, to pay compensation to investors who have lost money as a result of the failure of an authorised investment firm. SIB has developed a series of complex rules and procedures under which the scheme operates.

But before these procedures to pay compensation can be put into motion, the managers of the scheme must first be certain that the firm concerned has completely failed and there is no possibility that it could be revived under the existing or new management.

This might have appeared obvious some weeks ago. But although the compensation scheme has been working for less than two years, it has already developed a complex administrative hierarchy and a bureaucratic outlook. Every compensation claim has to proceed by the book.

The Investors Compensation Scheme has been provided with details of Dunsdale and its operations by the liquidators. But this information is merely the raw data from which the scheme will assemble its own proposals. It will not be directly used for assessing the right to (and amount of) compensation.

Investors have already received, or soon will, notification from the scheme that Dunsdale is in default and that any *compensation* will be based on the position as at July 11 1990.

This notice will be followed in a few weeks by a set of documents which investors will be asked to use to make formal claims for compensation. Investors will have already provided much of the required information to the liquidators. Nevertheless, they will have to repeat it.

Next, the compensation scheme will check the information against the records of Dunsdale, individually dealing with each claimant.

And here lies the main source of delay. The books and records of Dunsdale are currently with the Serious Fraud Office, which will not release them as they will be required for any potential criminal proceedings.

So the compensation scheme says that it cannot verify the claims from investors until these books and records have been released.

Surely some acceptable alternative means of verification could be devised? The compensation scheme could use photocopies, or its staff could carry out their work at the fraud office itself, subject to adequate security checks. SIB needs to urgently review this situation.

By coincidence, the scheme published its second annual report this week, in which it claimed that the average time fromliquidation date to the payment of the first compensation instalments was 23 weeks. Keeping investors waiting over five months for compensation is surely nothing to boast about. And by the time the affairs of Dunsdale are sorted out, this average time will appear to be rapid.

Even when the claim has been verified investors could find that compensation payments fall far short of their expectations. The total of payments will certainly be nowhere near the £17m invested with the firm.

First, the scheme will only pay realistic claims. It is understood that investors received regular statements concerning the value of their investment which bore little resemblance to reality. Those values could have been well in excess of what would have been achieved legitimately from comparable investments.

Second, compensation payments are limited. Investors receive 100 per cent of their investment on the first £30,000 of its value, 90 per cent of the next £20,000 and nothing on the excess.

Thus the maximum compensation is £48,000 paid on investment values of £50,000 or more. Yet some investors had up to £1m invested with Dunsdale. A payment of £48,000 is little compensation in such a case.

In respect of past crashes of investment firms the scheme has only paid one claim as large as £48,000, so there has been little pressure on SIB to consider a higher limit. Dunsdale could make SIB think again.

Indeed, Dunsdale could well prove something of a test case, forcing SIB to review the current procedures and limits of the compensation scheme.

Companies woo small shareholders

COMPANIES ARE falling over each other to please their small shareholders with offers of cheap dealing services and corporate personal equity plans (PEPs).

British Gas is offering its investors a cheap share dealing service starting on August 1. You may either buy or sell British Gas shares by post or use National Westminster's screen-based dealing "TouchScreen" service.

If you use the postal service, the minimum commission is £11 on deals up to £1,100 and 1 per cent thereafter. NatWest's TouchScreen service, available at many NatWest branches, charges a minimum commission of £17 on deals up to £1,700 and 1 per cent thereafter for deals of up to £10,000. Normally, NatWest charges £25 per cent minimum or 1.65 per cent in commission.

Reed International and Cable and Wireless are the two latest companies to launch corporate PEPs and execution-only dealing services for their shareholders. The idea is to woo new shareholders and encourage existing ones to hold on to their shares in a tax-efficient way. Investors can place up to £6,000 worth of shares in a PEP in the 1990-91 tax year.

The Reed International corporate PEP is for Reed's ordinary shares and is managed by CC&P Trustees. There is no initial charge, and the annual management charge is 0.5 per cent.

Reed claims that some 35,000 of its 38,000 shareholders are private investors, and that 21,000 of them hold fewer than 1,000 shares each. They think that the PEP will help existing shareholders to invest in a more tax-efficient way.

Reed is offering a share-dealing service through its brokers Cazenove & Co. They will charge a commission of 1 per cent (minimum of £10) for investors who want to buy or sell Reed shares.

Cable & Wireless is also offering its shareholders a dealing service through brokers Cazenove & Co. If you want to buy or sell shares in Cable & Wireless, the commission is 1 per cent commission with a minimum charge of £10.

The Cable & Wireless PEP comes in two forms. You may either invest all the money in the PEP in Cable & Wireless shares, or you can choose to invest half the amount in Cable & Wireless shares and half in the Cazenove UK Income & Growth fund.

You can make a lump sum investment (a minimum of £720 and maximum of £6,000) or invest between £60-£500 per month.

■ *British Gas forms available from: NatWest Stockbrokers, British Gas Information, FREEPOST, London E1 8BR, tel 071-895-5454.*

■ *Reed International and Cable & Wireless details available from: Cazenove & Co, Company Share Schemes Department, 12 Tokenhouse Yard, London EC2R 7AN, tel 071-606-1768.*

Sara Webb

Clients are suffering as firms stuggle to survive, says Barry Riley

A time of turmoil for the private stockbroker

SIMON SHARP, chairman of the Birmingham stockbrokers Albert E Sharp, is about to embark on the delicate task of reassuring the 12,000 to 15,000 worried and sometimes angry private clients of Stock Beech, the troubled Bristol-based broking firm which Sharp has acquired.

He picks up the particularly nasty little problem of 1,250 or so Stock Beech clients who have some £15m of deposits locked away for an indefinite period in the suspended British & Commonwealth Merchant Bank. This is the banking arm of the failed British & Commonwealth group of which Stock Beech was until recently a subsidiary.

The rescue of Stock Beech has only been one incident in a period of unprecedented turmoil in private client broking. Nearly four years after the Stock Exchange's Big Bang restructuring in 1986, and three years after the stock market crash in 1987 which did so much to damage the confidence of private investors, many broking firms are still struggling to survive.

Not all have succeeded. Kitcat & Aitken, a City of London firm with a large private client list, was suddenly closed by its Canadian owners in June, while Lovell, a Newcastle firm, can no longer trade after it was "hammered" by the Stock Exchange on July 10 following a botched attempt to merge with another troubled broker, Parrish. Lovell's associated investment management company, Herrington Financial Services, with £10m of client funds under its control, has been closed by its own regulator, the Investment Management Regulatory Organisation.

Although the loss-making Parrish is meanwhile said to be back on an even keel after a £3.6m injection of capital, its share price (it is the only listed broker) is bumping along at a nominal 5p or so.

Elsewhere, it was announced this week that another stockbroking firm, Charlton Seal Schaverein of Manchester, is to be broken up and sold in pieces to two other private client brokers, Wise Speke and Charles Stanley. Charlton Seal lost around £500,000 last year.

One worrying aspect of all this desperate wheeling and dealing, as far as the clients of such firms are concerned, is that they are no longer protected by the excellent compensation fund which used to be operated by the Stock Exchange. That was wound up two years ago in favour of the more modest investment industry scheme established by the Securities and Investments Board. It provides no protection above £50,000 – and in fact money deposited on a discretionary basis in a bank, such as BCMB, carries a lesser degree of cover.

But the danger of losing money is not the most serious aspect: investments should ultimately be safe in the separate nominee accounts operated by such broking firms. The more immediate problem is the loss of continuity and service. Trusted executives may disappear without warning, it may be impossible to find out what is going on for weeks on end, and then when a smooth-voiced replacement broker eventually comes on the line he will probably have to admit, if pressed, that the new regime will be applying higher commissions and very likely fees on top.

The latter aspect gets to the heart of the problems of private client broking. The traditional "advisory" service is simply no longer profitable: chatting to clients and suggesting they buy this and sell that is no longer economic unless the clients are millionaires.

'A new 40-year-old client should be confident that his broker will be here for 25 years and will grow older with him'

Mark Powell (right), chief executive of Laurence Keen

Discretionary portfolio management is a more viable proposition, but even here it is becoming impossible for stockbrokers to make a living just out of commissions on transactions, which has been the traditional approach. They are having to charge fees on top, a policy which runs the risk of upsetting many clients.

As for the basic business of executing transactions in shares, that has to a large extent been taken over by the big banks and by one or two specialist newcomers such as Sharelink and Fidelity.

Traditionally, private client stockbroking was a number of businesses all wrapped up into one, under the umbrella of restrictive membership of the Stock Exchange and the protection of the scale of fixed commissions. There was the execution-only side, there was advice-giving, and there was discretionary portfolio management, including the running of nominee accounts.

To make things a little more complicated, bigger brokers often also subsidised their private client operations out of the profits they made on institutional business.

For a year or so after Big Bang the stockbroking firms were so busy they had no time or need to do any fundamental thinking. But several years of losses are now forcing some profound changes.

To start with, there is no longer any question of cross-subsidies. Private client broking has to stand on its own feet, which has already led to widespread rationalisation in City firms. Some of the London clients of the Stock group originally came from Hoare Govett, and they have now been spun off to new brokers like James Capel. They must be bewildered.

But now, private client firms are wondering whether they need to be stockbrokers at all. The more successful of them are basically investment managers, looking after clients who have assets of anything between £50,000 and £1m. Many of those clients will be largely put into unit trusts rather than equities directly, and there can be a lot of financial planning spin-off too, in pensions, inheritance tax provisions and the like.

Do such firms really need to be in the Stock Exchange at all? Should they not shift over to Imro and out of The Securities Association, which regulates Stock Exchange member firms?

According to Mark Powell, chief executive of the still profitable Laurence Keen, the crucial difference between stockbrokers and investment managers is that the former charge commissions on dealings (and if they charge fees as well, the commissions will be rebated against them). He thinks that it is important for his firm's client base that Laurence Keen is a member firm of the Stock Exchange and is located in the City of London.

But traditional attitudes could change. Many private client brokers are concerned at the change in attitude of the Stock Exchange, which nowadays calls itself the International Stock Exchange and is absorbed with extending its influence across Europe. It no longer seems to act seriously as the trade association for small private client firms in the UK.

According to Simon Sharp, the recent changes have been far too rapid. "The Government and the old Stock Exchange Council have done something irreversible to the market," he says.

Nevertheless Albert E Sharp has remained profitable, and has seized the chance to pay B & C's liquidators a relatively modest sum for Stock Beech. "If we are offered another opportunity we will take that too," says Simon Sharp. Greater size will help, he says, so long as his firm does not have to splash out on extra facilities: 18 members of the staff of Stock Beech's Birmingham office are to be shoehorned into Sharp's existing offices, although the Bristol operation will remain separate. The combined group, under the clumsy name Albert E Sharp Stock Beech, will have client funds of £2bn under management, against the previous £1.2bn.

Albert E Sharp's executives will now go all out to soothe the anxieties of the former Stock Beech clients. Simon Sharp has been talking to the Bank of England about the chance of releasing the blocked £15m. "We are going to try very hard to satisfy clients," he insists.

He points out that the deposits only amounted to 2 per cent of Stock Beech's funds under management, a lower proportion of liquidity than was common even in Albert E Sharp funds. There was no question, he says, of any attempt by the previous management to prop up the tottering B & C Group by diverting funds into the in-house bank.

There is no denying that a small proportion of Stock Beech's clients has been hard hit by the BCMB episode, however. It appears that the regulators had not foreseen the danger that "one-stop" financial groups might be overwhelmed by the bankruptcy of a holding company. Until just before Big Bang, stockbroking firms could not be owned by bigger groups and so the prudential risk arising from the placing of deposits in associated banks was not an issue. Plainly The Securities Association must look at this again.

But what about the impact on investor confidence of the colossal game of stockbroking musical chairs that is now in progress? Some firms are trying to swim against the tide. Mark Powell of Laurence Keen wants to continue the tradition of long-term relationships between broker and client.

"A new 40-year-old client should be confident that his broker will be here for 25 years and will grow older with him," he insists. But right now, as private client stockbroking firms regroup in an increasingly undignified scramble for survival, Powell appears to be placed very much towards the optimistic end of the spectrum.

The Week Ahead

Banks count cost of bad debts

THREE OF the "Big Four" clearing banks – NatWest, Midland, and Barclays, plus Abbey National, the former building society which floated on the stock market a year ago, top the list of companies reporting profits results this week.

Rising bad debts in the UK market have joined Third World debt as a source of worry about the banks' performance. NatWest and Barclays should not have too much to worry about this time round on their developing country debts. They have already put aside 70 per cent of their Third World exposure, and a further 20 per cent is covered by other agreements, including the Brady Plan for Mexican debt, so any additional provisioning on this front should be minor.

Midland's sovereign debt provisions are only 50 per cent, but it is not expected by stock broker's analysts to add heavily to its provisions at this stage.

The week's interim results kick off on Tuesday with NatWest, in the news earlier this week after heavy second quarter losses in the US real estate market by its American subsidiary. Last year NatWest's interim pre-tax profits were £352m after putting aside provisions of £585m on Third World debt. This year profits should be around £550m, according to analysts.

For Abbey National, which reports on Wednesday, UBS Phillips & Drew forecast a rise of 10 per cent to £278m on last year's first half pre-tax profits of £253m. Though mortgage arrears are increasing and provisions could be double last year's levels, provisions should be less than 5 per cent of total operating profit.

Midland Bank's results on Thursday will be keenly watched: later this year it is expected to move towards a merger with Hongkong & Shanghai Bank. Last year it posted a loss of £531m at the half year, after Third World debt provisions of £846m. Sir Kit McMahon, the chairman of Midland, has already warned shareholders to brace themselves for poor results. James Capel and UBS Phillips & Drew forecast a pre-tax profit around £190m this time.

Barclays, which reports on Friday, looks set to retain its place as the leader of the sector. Its capital base is very strong, but its UK lending book grew very rapidly between 1987 and 1989 and it has already been hit by the British & Commonwealth debacle, against which it has had to put aside £100m. Last year it made pre-tax profits at the interim of £590m after provisions of £233m on Third World debt. Kleinwort Benson forecast that interim pre-tax profits will climb to £698m this time around.

Half-yearly results on Monday from the computers-and-cables group STC are expected to show a 30 per cent slump in taxable profits to about £60m, but the figures could turn out to be upstaged by details of STC's much-leaked plan to sell most of its ICL computer making subsidiary to Japan's Fujitsu. Commentators reckon Fujitsu will buy 80 per cent of ICL, for about £750m.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
High interest cheque	5.00	5.10	4.08	monthly	1	under 5,000	0-7
High interest cheque	9.20	9.60	7.68	monthly	1	5,000-9,999	0
High interest cheque	9.40	9.80	7.84	monthly	1	10,000-24,999	0
High interest cheque	9.60	10.00	8.00	monthly	1	25,000-49,999	0
High interest cheque	10.20	10.70	8.56	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	7.00	7.12	5.70	half-yearly	1	1-250,000	0
High interest access	9.00	9.00	7.20	yearly	1	500	0
High interest access	9.75	9.75	7.80	yearly	1	2,000	0
High interest access	10.25	10.25	8.20	yearly	1	5,000	0
High interest access	10.50	10.50	8.40	yearly	1	10,000	0
90-day	10.25	10.51	8.41	half yearly	1	500-9,999	90
90-day	11.00	11.30	9.05	half yearly	1	10,000-24,999	90
90-day	11.50	11.83	9.46	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	12.75	9.56	7.65	yearly	2	5-25,000	1 mth
Income bonds	13.50	10.12	8.10	monthly	2	2,000-25,000	3 mths
Capital bonds	13.00	9.75	7.80	yearly	2	100 min.	3 mths
35th issue‡	9.50	9.50	9.50	not applica	3	25-1,000	8
Yearly plan	9.50	9.50	9.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applica	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.82	11.37	9.10	monthly	1	2,500	0
Provincial Bank	11.02	11.59	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	13.01	10.93	9.67	half yearly	4	-	0
8pc Treasury 1992	12.86	10.76	9.50	half yearly	4	-	0
10.25pc Exchequer 1995	11.98	9.32	7.72	half yearly	4	-	0
8.5pc Treasury 1994	12.28	10.01	8.64	half yearly	4	-	0
3pc Treasury 1992	10.63	9.81	9.32	half yearly	4	-	0
Index-linked 2pc1992§§	13.35	11.11	10.80	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day; Immediate access for balances over £5,000.‡ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 6.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
Crystalate	92½§	86	73	35.40	TT Group
Epicure Inds.	34*	32½	28	27.34	Heron AB
Filofax	30*	29	25	4.30‡	Twd Earl cons'tm
Fitch Lovell	302§§	281	295	302.40	Booker
Frost Group	421*	420	358	60.12	Norfolk House
Hambros Adv.Tech	122	118	109	23.75	Hambros
Hartwell	155*	154	141	122.65	Jameel
Hoskyns Grp.	330*‡	359	219	197.59	CAP Gemini
I.O.M. Steam Pkt	115*§	120	95	17.25	Sea Containers ♦
Mecca	85	81	84	265.24	Rank Org.
Do.7.25p Cv. Pf.	80½	69	56	251.20	Rank Org.
Multitrust	44*§	46	44	1.90	Pether Sec.
Tozer Kemsley	150*§	143	115	351.72	IEP
Unilock	106*	104	83	24.55	Yule Catto
Yorkshire Radio	137	153	131	12.95	Metro Radio

*All cash offer.††Cash alternative.‡Partial bid for 69.5%. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 27/7/90.†At suspension.§§Shares and Cash.‡ Offer values co. at £4.3m - bidder will retain no more than 51%.♦ Bidder Already owned 41%

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Abtrust Scotland	May	110‡	(94‡)	0.5	(0.46)	0.45	(0.35)
Aer Lingus	Mar♦	37,000	(39,700)	-	(-)	-	(-)
Aitken Hume	Mar	2,210	(1,630 L)	2.39	(-)	1.0	(0.5)
Asso Fresh Foods	Apr	3,600	(3,300)	-	(-)	-	(-)
Banks Sidney C	Apr	2,160	(1,807)	20.1	(16.9)	8.0	(7.0)
Black Arrow	Mar	3,750	(4,610)	9.44	(11.5)	4.2	(3.75)
Blacks Leisure	Mar	1,020	(2,850)	3.83	(12.0)	0.05	(0.15)
Brit. Bloodstock	Mar	352	(450)	8.1	(10.1)	8.8	(8.8)
Broadcast Comms.	Mar♣	335	(454)	6.6	(8.8)	-	(-)
Budgens	Apr	11,830	(16,420)	10.8	(14.0)	5.0	(6.67)
Casket	Mar♣	3,170 L	(529)	-	(0.7)	0.1	(1.2)
Dalepak	Apr	1,920	(1,410)	11.6	(8.33)	4.0	(3.0)
DBS Management	Mar	523	(152)	14.4	(4.4)	4.0	(2.0)
Douglas Robert M	Mar	12,390	(8,900)	47.5	(38.9)	10.5	(8.5)
Dudley Jenkins	Apr	766	(531)	8.89	(7.48)	3.8	(3.0)
Dyson J&J	Mar	2,500	(2,250)	13.4	(13.1)	5.0	(5.0)
Eve Group	Mar§§	4,620	(7,230)	31.4	(51.0)	8.5	(17.0)
Goode Durrant	Apr	13,500	(11,270)	18.8	(14.3)	5.4	(4.5)
Heron Int'l.	Mar	65,300	(59,000)	-	(-)	-	(-)
Jacques Vert	Apr††	4,660	(6,430)	30.3	(43.6)	10.0	(11.5)
Kitty Little	Jan	35	(402)	0.25	(2.9)	0.575	(1.5)
Manvier-Swain	Apr	5,470	(3,580)	28.9	(21.0)	6.8	(6.2)
MITIE Group	Mar	616	(353)	10.3	(7.4)	1.0	(-)
Misys	May	11,100	(5,800)	23.5	(22.8)	5.28	(4.8)
Mountleigh Group	Apr	46,800L	(69,300)	-	(16.6)	4.75	(4.75)
Murray Smaller	May	2,040‡	(1,890‡)	3.61	(3.34)	3.3	(2.85)
Northamber	Apr	3,810	(6,160)	13.9	(22.9)	2.5	(2.0)
Platignum	Mar	260	(2,940 L)	0.12	(-)	-	(-)
Savills	Apr	3,460	(6,520)	6.0	(12.0)	3.75	(3.75)
Smith David S	Apr	26,380	(33,030)	28.5	(33.7)	9.25	(8.75)
Southend Prop.	Mar	6,440	(17,520)	3.19	(14.4)	3.45	(3.0)
Templeton Emerg.	Apr	n/a	n/a	2.5	(-)	1.6	(-)
Trevian Holdings	Apr	2,070	(2,700)	12.3	(19.0)	3.3	(3.0)
UPL Group	Jan	931 L	(332)	-	(5.28)	-	(-)
Victoria Carpet	Mar	2,030	(2,750)	19.9	(27.9)	4.5	(4.25)
Wood John D	Apr	425	(257)	3.2	(1.7)	2.2	(2.0)
Worthington AJ	Mar	465	(102)	3.3	(2.1)	0.625	(0.5)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Aegis Group	June	34,600	(21,900)	2.75	(1.65)
Allied Textile Co.	Mar	5,280	(5,170)	4.3	(4.1)
Baldwin	Apr	1,740 L	(944 L)	1.4	(1.15)
Bank Leumi (UK)	June	1,650§	(1,350§)	4.5	(4.5)
Bensons Crisps	May	304	(321)	0.6	(0.6)
Berkeley Govett	June♥	22,700	(19,240)	7.0	(6.0)
Bullough	Apr	11,640	(12,000)	1.75	(1.75)
Cranbrook Electronic	Mar	251 L	(113)	-	(0.5)
Dares Estates	June	3,660	(5,580)	0.25	(0.5)
Dennans Electrical	Mar	645	(1,090)	1.65	(1.65)
Greenwich Resources	Mar	819 L	(911 L)	-	(-)
Hepworth	June	50,120	(53,300)	5.5	(5.15)
Hill & Smith	Mar	2,300	(2,860)	1.95	(1.75)
Hotspur Investments	June	55‡	(42‡)	-	(4.0)
ICI	June	733,000	(925,000)	21.0	(21.0)
Jacobs John I	June	597	(614)	1.5	(1.5)
LASMO	June	32,400§	(27,600§)	2.2	(2.0)
Owners Abroad Group	Apr	10,400L	(7,800 L)	0.82	(0.7)
Radius	May	1,390	(1,020)	0.9	(0.75)
Reuters Holdings	June	167,000	(135,900)	4.4	(3.6)
Rights & Issues Inv.	June	129‡	(114‡)	2.0	(1.6)
Ryan Hotels	Apr♦	362	(358)	0.5	(0.5)
Selective Assets Tst	June	1,330†	(923†)	-	(-)
SEP Industrial Hldgs	Mar	1,160	(1,010)	0.44	(0.4)
Telecomputing	Mar	44 L	(332 L)	-	(-)
Temple Bar Invest.	June	3,340#	(3,080#)	4.1	(3.7)
Throgmorton USM Tst.	June	453‡	(400‡)	-	(-)
Tribune Invest. Tst.	June	1,980‡	(1,790‡)	1.6	(0.85)
Trust of Property	June	33‡	(42‡)	-	(-)
Widney	Mar	923 L	(24)	-	(0.5)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.† Income.‡ Net revenue.# Available profits.‡ Net income.♣ This years figures for a 9 month period.♦ Figures quoted in Irish punts & pence.§ After tax profits.§§ Last years dividend includes special payment of 10p.†† Last years figures for a 15 month period.♥ Figures quoted in US dollars & cents.

RIGHTS ISSUES

Broad Street Group is to raise £1.4m via a rights issue at 18p.
McInerney Properties is to raise £27m via a 2-for-1 rights issue at 120p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Associated Fresh Foods plans to join the stock market next year.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Ashtead Group	Monday	0.65	1.85	1.0
Cooper Clarke Group	Monday	-	-	1.5
Dale Electric International	Wednesday	2.0	3.1	2.0
Embassy Property Group	Wednesday	-	2.2	2.0
Hughes Food Group	Friday	0.25	1.25	0.25
Lister & Co.	Tuesday	1.0	3.0	1.0
London & New York Convertible	Thursday	-	-	-
Merrydown Wine	Monday	0.89	4.89	1.0
Prior	Tuesday	0.8	1.5	2.5
Sutherland Holdings	Tuesday	0.65	1.15	0.85
Union Square	Tuesday	0.4	0.8	0.4
YRM	Tuesday	1.25	2.55	1.65
INTERIM DIVIDENDS				
Abbey National	Wednesday	-	5.7	-
Alpine Group	Monday	-	-	-
AMS Industries	Friday	0.5	1.0	-
Anglo & Overseas Trust	Thursday	1.6	4.0	-
ASD	Tuesday	1.7	1.7	-
Automated Security Hldgs.	Tuesday	1.5	2.75	-
Barclays	Friday	11.4	16.0‡	-
Chrysler Corporation	Tuesday‡	30.0	30.0	30.0
Cowie T	Wednesday	1.2	3.0	-
European Assets Trust	Monday#	0.04	0.1	-
Fairway (London)	Thursday	1.0	1.75	-
F&C Enterprise Trust	Friday	-	0.16	-
Grahams Rintoul Invest. Tst.	Monday	-	1.5	-
Investment Trust of Guernsey	Friday	0.5	1.6	-
Midland Bank	Thursday	7.3	10.7‡	-
Molins	Monday	2.5	8.0	-
Mount Charlotte Investments	Tuesday	0.46	0.83	-
National Westminster Bank	Tuesday	8.325	11.375	-
Noble Raredon	Thursday	-	0.1†	-
Securicor Group	Monday	0.44	1.076	-
Security Services	Monday	0.922	1.992	-
STC	Monday	3.75	7.25	-
TI Group	Thursday	5.75	11.75	-
Updown Investment Company	Tuesday	-	9.0	-
Whitegate Leisure	Tuesday	-	0.25	-
Yorkshire Chemicals	Wednesday	3.5	8.5	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.† Payment for 17 month period.‡ 2nd interim dividend.# Quarterly figures, dividend payments quoted in US cents.# Figures quoted in Dutch guilders.

FINANCE & THE FAMILY

Eastern Europe is still a financial maze. **Judy Dempsey** offers advice to travellers and **Sara Webb** looks at problems for fund managers

Hard deals on the black market

IT WAS a Saturday, it was raining and we were hungry. We had reckoned that the lunch (Sibiu salami) supplied by Tarom, the Romanian airline, must have travelled from Bucharest, via Vienna, to Chicago, and all the way back to Romania.

Otepeni airport, just outside Bucharest, the capital, was half asleep. The lady at the visa office had gone off for a very long lunch. There was nobody around except some bored passport control guards. We waited – that is all we could do. Without paying for the visa tax, we could not get through passport control.

There were some armed guards dragging their feet. After a while, one of them came over to us. But instead of telling us when the exchange/visa office would open, he asked, without any qualms: "Change money? You want to change money? Good rate."

We were a little surprised. It is one thing changing money on the black market and among friends. But when a uniformed border guard on duty asked us, our first thought was: is this man serious? And then a second thought occurred: is this a provocation?

We politely said no.

The real money-changing lady eventually reappeared. She took our $21, stamped our passports and said "Have a pleasant stay." We passed through the other controls and headed into the centre.

Now that eastern Europe is accessible to the curious (and uninitiated), this small incident proves two things: the black market is thriving as more people need hard currency; and no significant price/currency reforms have yet taken place in several of these countries.

Although the Wall is down and former communist regimes are in the throes of economic reforms, it remains illegal to bring in, or take out, the local currencies. These currencies are not only non-convertible. They are the property of the state.

I was reminded of this many years ago when I first visited Moscow. A friend in London had given me some roubles. Little did I think anything of it when I filled out the lengthy forms on the Aeroflot flight. "What currencies do you have. Answer: dollars and roubles.

"Roubles?! Roubles?!" the stern lady at the airport customs desk exclaimed (in tones which reminding me of Wilde's Lady Bracknell).)

"Yes," I said. The guards milled around her. They had obviously never met anyone so stupid as to declare their black market roubles. I filled out many, many more forms. My roubles were summarily confiscated and the innocence of my first foray into eastern Europe and the Soviet Union quickly evaporated.

Hence, the lingering Russian memory after arriving one late Sunday night at Sofia airport.

The local branch of the National Bank of the People's Republic of Bulgaria was closed. I had no leva, the local currency, to pay the taxi or make a phone call. As if that mattered. Bulgarian taxi drivers, like their Romanian counterparts, are bankers in their own right.

"You want ride to centre. No problem," (a typical refrain in this part of the world where "there is never any problem.") After a few seconds, the taxi driver was transformed into an efficient foreign exchange dealer, except for one difference. You have to argue. In the Balkans, it is a must to negotiate the exchange rate. If you already know the official rate, multiply (at least) by five - otherwise you will definitely be taken for a ride.

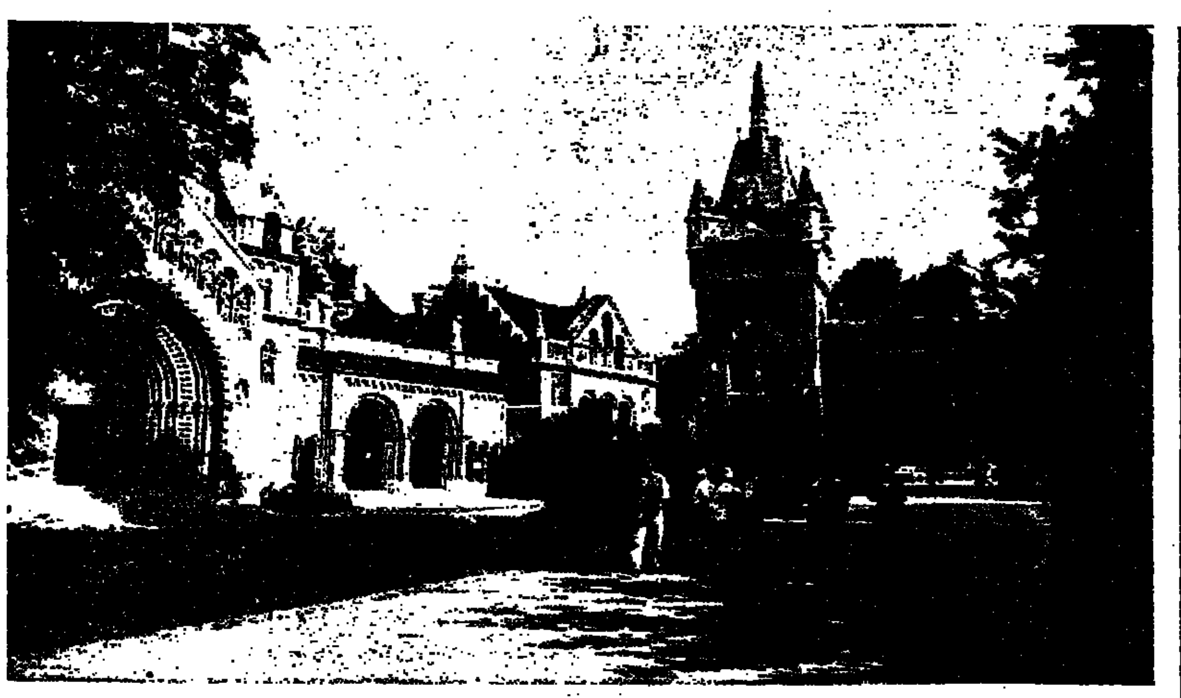
In Bulgaria, as everywhere else in eastern Europe, hard currency is in short supply. Everybody needs it, to pay for the western visa, to travel to the west, to buy scarce goods in the hard currency shops, or to trade on the black market where the real traders will sometimes mark up the dollar 10-to-one against the local currency.

'It remains illegal to bring in, or take out, the local currencies'

Not that I am advocating the black market. It is a risky and illegal business. The authorities are trying to stamp it out, sometimes by turning their hapless inspectors into taxi-drivers who also want hard currency. Or else by the simple and sensible way of giving anyone who stays at a hotel a special tourist rate.

This is where numeracy helps.

In the Sheraton in Sofia, there are two main restaurants. The up-market Balkan restaurant charges about 3 leva to the dollar. Bulgarians who want to flaunt their wealth, eat there. Those who want to pay in (black) leva can dine at the Melnik, or Grill. But there, the authorities have wised up: the prices now correspond to the black market rate. It is the authorities' way of mopping up the black market and doing the dealers out of business.



Old Budapest: developing a busy currency black market

Dealers are ubiquitous in Romania, now that it is legal to hold hard currency. But it is wise to avoid the street money changers. They are definitely not to be trusted. The rate may be good, at 10 to one, but the money is bad. You may be attracted by that thick wad of purple lei notes, but beyond the first few notes are layers of old newspapers. You have been warned. This happened to a colleague in Warsaw, before the Mazowiecki government made the Polish zloty practically convertible.

In Yugoslavia, the black market has disappeared because the dinar is convertible. The only thing you have to remember is that since January, there are old and new notes co-existing side by side. So when you see a 200,000 dinar note, simply ignore the last four zeros which leaves you with $1.70.

In Czechoslovakia, the koruna, or crown, is thriving on the black market and the black market in neighbouring Hungary is increasing all the time. Hungarians, like the Czechs, are desperate for hard currency now that they can pop across the border for a day's (expensive) shopping in Vienna.

The first-time traveller will be confused by the black market, by the various rates of exchange between the commercial rate (for business), the tourist rate (pocket money for tourists) and the official rate (hotel bills). They will wonder whether or not they should illegally bring in currency which is the property of the State.

But in reality it is all very straightforward.

The golden rules are:

■ Do not worry if you arrive at the airport or railway station late at night and all the banks are closed. Most taxi drivers accept hard currency but they will try to rip you off. Unofficial (hard currency) taxi charges from the airport to the centre are, roughly: Sofia $5; Bucharest $10; Belgrade $17; Prague $10; Budapest $10; Warsaw $15.

■ Most hotels accept credit cards, but if staying in pensions, cash – preferably dollars or D-Marks – is much better.

■ Travellers cheques are accepted by some hotels, but as with credit cards you will be charged at the official exchange rate.

■ Forget about using Eurocheques or cash dispenser machines – opportunities for these are few and far between.

■ Eastern Europe is riddled with pickpockets.

■ The black market is a help only if you want extra pocket money for eating out. The official rate deserves to be challenged, especially in Bulgaria, Romania and Czechoslovakia where the local currency is overvalued, especially for accommodation (most of which has to be paid in hard currency but at a ludicrously overvalued exchange rate) and for eating where the local currency is accepted.

Be careful about how you use the black market. You can only pay your hotel bill in local currency if you have the exchange receipts to prove you changed at the official rate. You might also be asked to show currency exchange receipts for expensive items such as china and carpets.

■ If you are reluctant to change money on the black market in any of these countries, you can always stop over in Vienna where the banks are doing a brisk but *verboten* business.

Even better, savour the shady but exotic world of buying and selling money and goods by visiting the market along the banks of the Danube at Mexikoplatz near Vienna.

There, you have a microcosm of eastern Europe and the Soviet Union in all its (fading and former) glory. The babble of Georgian and Polish, Hungarian and Romanian, Bulgarian and Turkish, Yiddish and Czech, fill the air as old and young buy and sell money, electronic goods and coffee. Most of these wind their way back to eastern Europe where they will eventually find a place and price on the black market. Who knows – maybe that is where the Sibiu salami came from.

Small pickings for big spenders

LIFE CAN be hell if you're an eastern European fund manager. You spend your business trips in sordid hotels eating boiled cabbage only to find that half your competitors are staying in the same places and fighting for the same 49 per cent stake in some half-presentable eastern European water-bottling venture.

The problem for these fund managers is that they have too much money at their disposal and not enough choice over where to put it.

Take the Hungary Fund, a closed-end fund launched six months ago by Bear Stearns. (Bear Stearns has a 10 per cent stake in the fund's management company, while the National Bank of Hungary has a 40 per cent stake). Earlier this week, a spokesman said the fund still hadn't made a single investment. The $76m (£m) raised mainly from institutional and high net worth investors is sitting in Eurodollar CDs, making about 8 per cent: hardly where the investors intended their money to go.

The investment manager is negotiating with several Hungarian companies and hopes that the fund will eventually be invested in various unlisted securities and joint ventures. For as one of his rivals pointed out: "All they've got listed on the stock exchange in Hungary is Ibusz (a travel agency and tour operator)."

Sound investments are hard to spot. Abtrust paid £200,000 for a 43 per cent stake in Radio Solidarity, a Polish commercial radio station.

Historic Prague: a quiet spot for fund managers

The investment is split between Abtrust's New European investment trust and its Radiotrust.

John Morton, Abtrust's European investment manager, thinks Radio Solidarity is "a good brand name with low start-up costs." He says that the radio station is unlikely to make a profit in the first year, but adds that the funds will "probably keep hold of the investment for quite a while because the potential reward is very good." Morton says his strategy is to take big stakes in companies and to avoid cramming his portfolio full of shares which "won't come to fruition for five years."

Some fund managers (particularly those who run unit trusts, which are more restricted than investment trusts when it comes to investing in unquoted shares) have chosen to invest in western companies which are likely to benefit from the restructuring of eastern Europe. Certain West German and Austrian shares were particularly popular at the end of last year, but fund managers now see them as overvalued.

Apart from having too much money to invest in eastern Europe, the fund managers face various problems. The Hungary Fund spokesman says: "It is difficult to get financial information, the accounting principles are very different from in the west and it is difficult to make valuations and to calculate earnings. There is no bank of information on business values or property values to turn to."

Patricia Maxwell-Arnot, eastern European specialist at Lazard, agrees. "There's no question about it – it's difficult to pick an investment in eastern Europe. It's a question of finding a partner, for which there is plenty of competition, and of valuing the assets. East European companies are reluctant to make decisions about which western partner to choose, and whether to go for a majority shareholding, or a partial interest, and how much capital to ask for."

However, her own view is that it will take time to build up investments in eastern Europe: "Everyone is being frightfully impatient over how quickly things get off the ground – a year is not a very long time given the transformation from a command economy to a capitalist one and too many people expect things to happen overnight."

S. W

Tax avoidance? get an accountant

MY WIFE runs a business as a sole trader from premises owned by her. To date the business has made losses and I have been permitted to offset these losses against my PAYE income tax liability. As a result of the introduction of separate taxation for husband and wife from the 5th April 1990, I understand that this will no longer be permitted. To deal with this, I became a partner in the business effective January 1, with a view to being allowed to aggregate the profits and losses of the business against other income of either of us on a flexible basis. I have and will support her business by the provision of substantial capital and time.

I have now been advised that to achieve the desired flexible allocation of profits and losses the business premises and associated debt must be put in both our names.

1. Will this bring the desired result and shelter any losses? I understand that we run the risk that the Tax authorities may disallow the whole business as non-commercial.

2. Is it necessary to put the debt and the premises in joint names?

3. If so, will Stamp Duty be payable on the change of ownership and if so on what amount?

■ Tax avoidance is not that easy. Surely the time has come when you and your wife should engage the services of an accountant, rather than trying to get by on the basis of bits of advice from various sources, including a newspaper (even thought it be the FT). It will be very difficult to persuade the Revenue – or the Appeal Commissioners – that the business is being conducted on a commercial basis if the partnership has no accountant. Briefly, the answers to questions 1 and 2 are both no. The solicitor who drew up the partnership deed for you at the end of last year will be able to recommend a suitable accountant, if need be, of course.

Signing powers

You have emphasised the requirement to keep a wife's finances separate from the husband's to take advantage of tax laws in 1990/1. I have transferred all shares to my wife. A building society account, previously in our two names, has been converted to her name only. She will pay *all dividends into that* account.

The building society suggested that she sign an "Authority to operate an investment account," appointing me to operate the account and to make investments and withdrawals. I imagine that this might be a facility which is provided for clubs and societies when they own money which is in an account operated by a paid official.

Although this would be a convenient arrangement to have in the case of myself and wife, I am concerned that the tax authorities may claim that it breaches the tax laws. The building society say it does not. What do you think?

■ We recommend against it. It is not a question of a breach of the tax law – it is a question of whether such an arrangement would fall within the ambit of section 674A of the Income and Corporation Taxes Act 1988, bearing in mind that the word "settlement" is defined by section 681(4) as including any disposition, agreement or arrangement.

Transfer of lease

When my wife and I bought the lease of our flat two years ago we had it registered in my wife's name only. We now wish to put it in our joint names. What is the simplest way to do this.

■ Your wife will need to execute a transfer to herself and you. Alternatively she can make a declaration of trust in favour of the two of you and follow it with a deed appointing you a trustee to act jointly with her as trustee of the trusts which she has declared.

Death of a share holder

I am a widower with three adult children. We are joint holders of UK shares and UK unit trusts and also have a small joint bank current account. One of the smaller companies was the subject of a takeover bid recently and I noticed in the offer document that in the case of a deceased joint holder a death certificate and evidence of probate or administration would have to be produced. I was under the impression that on my death the surviving joint holders would only have to produce a certified copy of my death certificate to the registrars and to the bank and that probate *and/or administration would* be unnecessary. Am I correct?

■ Probate or letter of administration is not necessary to establish the right of survivors of a joint tenancy. Evidence of death (a certified copy of the entry on the Register of Deaths) should suffice.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Employment worry

I am employed in a small retail company whose owner is likely to retire soon and sell the business. I have worked for him for 12 years. I do not have a contract. He has said that he will see me right, but I am concerned that a new owner might force me to resign to avoid paying redundancy. This is common practice in the industry. Can you suggest a way or ways in which I can establish a right to benefit in the event of the company changing hands?

■ Your best course would be to get your present employer to record your current terms of employment in a written contract. You can explain to him your concern to be protected. Even without a written contract you would be entitled to redundancy pay if you were ousted from your employment in circumstances which give rise to a redundancy claim.

Must we split?

Since we were married, over 30 years ago, my wife and I have always used joint banking accounts, and nearly all our unit trust and equity investments are in our joint names.

We have three small houses which are let to university students and which provide investment income. These properties are also in our joint names, and the income from them goes into one of our joint accounts. The house we live in is also in our joint names.

We are both retired, and our income derives from my occupational pension, state pensions, dividends on unit trusts and shares, and rental income from the properties. All these have always been paid into joint accounts. We also both have small individual accounts which we hold for personal *savings and use.*

Until last July, when my wife retired, her personal tax allowance was always set against her salary. We expected to lose this personal allowance when she retired, but of course, the new separate taxation rules will mean that she can in future set her personal allowances against her investment income.

Will we have to physically split our investment income, and pay it into individual accounts, to ensure that we qualify for the separate allowance? Or worse still, will we have to split all our joint holdings, including the properties, to comply with the inland revenue requirements?

■ We are pleased to be able to say that we see no reason to disturb the existing arrangements. You may like to ask your tax office for the free pamphlets IR81 (Independent taxation: a guide for pensioners) and IR90 (Independent taxation: a guide to tax allowances and reliefs).

Sovereign investment

I have a quantity of sovereigns dated from 1820 to 1914. Most are Victorian, Edwardian, George V and some foreign. Some were left to me by my grandfather, and others, I purchased at odd times, and it would be very difficult to state exactly the cost price of the ones I purchased, as I did not keep a record. I am thinking of disposing of them and would like to know my position regarding tax.

■ *Sovereigns dated* 1838 or later are exempt from capital gains tax, by virtue of section 19(1) of the Capital Gains Tax Act 1979. Sovereigns dated before 1838 and foreign coins will be exempt from CGT by virtue of section 128(1) of the CGT Act, as amended, unless a set (or a number of identical coins) is sold for more than £6,000 – or unless any of the foreign coins are still legal tender in their home countries. Ask your tax inspector's office for the free introductory booklet on capital gains tax (CGT14).

Unwilling to pay

My solicitor makes our wills out sending us a copy and retaining one himself. Small changes cost a large amount. Would it be sufficient to attach a signed note to our copy to make small additions?

■ No, every alteration to a will should be made either by a new will or by a note (called a codicil) which must be signed by the testator in the presence of two witnesses (who should not be beneficiaries under the *will or codicil) who must sign* the codicil.

Clive Fewins reports on a mineral water venture

Source of inspiration

WHAT CAN BE done with a worked-out village quarry? That was the problem that faced Cotswolds businessman John Brown whose family has owned the land at Hanborough for three generations.

Five years ago he was contemplating retirement, having sold his successful plant hire business to a national concern.

Now he is helping his son to run a new plant producing 22-litre bottles of mineral water at a rate of 400 an hour. It is one of only 15 British brands to be awarded full natural mineral water status by the regulatory body.

The adventure started almost 10 years ago when John Brown remarked to his son Jonathan that he would like to trace the spring on his land which constantly disgorges fresh water into the small local river Evenlode.

Jonathan, who was 25, did not take a great deal of notice at the time. But with typical determination, his father employed a water diviner, who advised them to sink a bore-hole through the floor of the old quarry.

After two tries and an outlay of £25,000, they hit such a strong source that a temporary pipeline had to be installed to carry the 2,300 gallons an hour flow going into the river. The water authority said the source was so plentiful that there would be no objection to extraction.

John Brown was several stages nearer to his dream of bottling his own mineral water. But there was still the major issue of what the water analysts would have to say. Luck was again on his side when detailed analysis showed that the water was of great purity – still, virtually tasteless and low in sodium. In short, ideal.

The complexities of obtaining full mineral water status took almost five years. During that time there was much agonising over whether to go

The next stage for Crystal is to attack the domestic market

ahead with the project, particularly as the Browns found themselves faced with further speculative costs of almost £40,000 and a mountain of bureaucracy, both in this country and in France where water samples eventually went for approval.

After selling JHB Plant Hire in 1986, however, John Brown's entrepreneurial flair got the better of him and, pending approval from Brussels, he decided to go ahead. He took a back seat and Jonathan, who had spent a nail-biting few years wondering if he ever would become managing director of the Crystal Natural Mineral Water Company, took over the project.

He rapidly became a convert to his father's ideas and spent a summer touring Europe sampling all the mineral waters he could find.The plant that stands beside the source on the quarry floor took six months to build and, together with the filtration and bottling equipment, cost £800,000. Jonathan put up £100,000, as did his partner, Terry Bingham. A further £450,000 is on extended loan from a bank.

The task is to recoup the cost and get into profit as fast as possible. So far they are well on course to break even by October 1991 – two years after start-up. John Brown comes in and helps when required, while Jonathan and his staff of four look after the day-to-day running of the plant.

Terry Bingham, who has 34 years experience in automatic food dispensers and associated products and runs his own company from nearby Whitney, is chairman of Crystal. He is constantly on hand to advise on the commercial market in which Crystal has opted to concentrate its sales effort.

The biggest market for the water is to offices, where there is an increasing demand for pure drinking water and for making tea, coffee and other drinks. Jonathan Brown runs a daily service delivering full 22-litre polycarbonate containers and collecting empties for sterilisation and refilling. Companies as far afield as south London and Derbyshire are either renting or buying the containers and the associated dispensing and chilling equipment.

The next stage for Crystal is to attack the domestic market.

Twenty-two litres at a time might seem to be verging on overkill for the requirements of an average family, but it could be easier to buy in bulk than to trudge home from the supermarket carrying litres in the weekly shopping.

Family consumption, particularly among children in the summer, is another consideration. It may be possible to persuade health conscious families that a large container in the kitchen with the blue and cream Crystal logo really does contain something good – Adam's Ale, in fact.

■ *Crystal Spring Water Co Ltd, Silk Hill, Long Hanborough, Oxon, OX7 2BT (tel 0993-883593).*

Crystal clear: Jonathan Brown at the Witney bottling plant

Alice Thomson visits a one-man software house

A laid-back approach

"IF I HAVE to make a difficult phone call and I know I'll have to assert myself, I dress up in a suit and tie, otherwise it's jeans and sneakers."

Robert Nowell runs a computer consultancy and software business from his one-bedroom flat in Islington, London. His office doubles as his sitting room, kitchen and dining room. The computer is neatly tucked away in the corner and the printer is in the hall.

"It is difficult to work from home. It's always when you are just sitting down to work that you remember about last night's washing up or that the kitchen floor needs cleaning."

Nowell doesn't fit neatly into the customary role of young entrepreneurial businessman. His aim is not try to create a new software empire but to obtain a respectable income while also pursuing what he sees as his real vocation in psychotherapy and painting. By giving up an office job and marketing his skill as a freelancer, he also has the time to paint and study.

In the three months that Nowell has been working as a freelance consultant, he's already begun to appreciate the change. "I enjoy the freedom to work when I want and take time off when I feel like it. Not getting stuck in traffic jams with the rest of the world during bank holidays is a definite bonus."

Discipline is harder.

At the beginning Nowell found it quite easy because the work was such a challenge and he wanted to prove he could do it but now he tends to wait for a deadline and then work all night. "Sometimes I miss outside stimulation. Once you switch off it's hard to switch back on again and there's always the temptation to stay in bed in the mornings.

"I don't want to go back into an office. I built up a lot of resentments to office life. It used to annoy me that you always had to look busy even when you had nothing productive to do. You're never allowed to work in your own way."

All Nowell's work at present comes from one contract to an actuality consultancy firm, CAPS, providing the software for a pension valuation scheme. He got the work through his old firm who asked him to leave when he'd already done a preliminary report on the pension project.

The firm, Bacon & Woodrow, had employed Nowell for four years as an analyst programmer, working on a range of complex computer programming schemes. They decided that they didn't want the contract now that Nowell had left the staff, so Nowell offered to do it from home and his business was set up.

Nowell had just bought a PC Tandon 386 for £2,000, a laser printer for £1,000 and now has software worth £600. "About ten years ago, setting up a business like this would have been technologically impossible, it wouldn't have fitted into my entire floor space and would have cost about £50,000," he says

The business is run on a stringent financial basis. He employs an accountant and does all his contracts and legal work himself.

"I enjoy the responsibility and haggling, keeping your client happy and not depending on an employer. I have never liked the concept of the employer acting as patron and master of your status, security and job."

It took some time for Nowell to grasp invoices and reading through contracts. He has also only recently got around to getting letterheads and cards printed, a necessity even for a one-man company.

Tony Andrews

Robert Nowell in his 'telephone tie'

Negotiating fees was the hardest part of going freelance. Nowell felt that he couldn't charge as much as Bacon & Woodrow, an established firm. He worked out the project would take him 60 days. Bacon & Woodrow's fee would have been £29,000, so Nowell charged £19,000.

CAPS was satisfied and Nowell is confident that he will deliver the software on time. The contract has worked out so well that Nowell is now going to talk to Bacon & Woodrow about negotiating another deal.

Now 35, Nowell has been interested in computers since he was 12 when he visited the then innovative new computer at Oxford. He read pure maths at Cambridge University and began working for hospitals and electronics firms on research teams. He is now a highly professional computer programmer.

But his interests in psychotherapy and painting are what really motivate him. He has already done a two-year psychotherapy course and wants to finish the training. Working from home means he can also spend afternoons painting and the still-life drawings above the staircase testify to his skills.

"I don't see myself expanding my business, I just want to see if I can keep it going.

"Thinking about taking on other people is an enormous step and I would have to really market my company which would take a great investment of energy. But I'd like to get more sources so I can get a nice flow of money and finish off my psychotherapy training."

"I'm probably the smallest software house in England, but as long as you're confident of what you can offer, being single and independent can be lucrative as well as giving you far more self-esteem."

■ *Robert Nowell, 18 Barnsbury Rd, London N1 (tel 071-278-5936).*

How bank managers struggle for a little understanding

SPARE A thought for your bank manager. Entrepreneurs tend to greet refusals to extend their credit with reactions from straightforward outrage to sheer incredulity, but bank managers often have terrible difficulty understanding precisely what clients mean. Here is a glimpse of the secret phrase book banks use to translate customer gambits.

Phrase: "We're having temporary cashflow problems."

True Meaning: "For the umpteenth successive month our outgoings have comfortably exceeded our income."

"My new bank manager doesn't understand me."

"The old fool whom I conned for all those years has retired and his successor is rather sharper."

"All I need for this project to take off is a bank prepared to back me."

"I have nothing to put into this untested venture. I would like the bank to take all the risk for a 2 per cent return, while I have all the rewards."

"The new computer will sort out all our accounting problems."

"I've just been sold this machine by a cowboy, and no-one in the office has a clue how to operate it."

"I've managed to pick up just the contract for the business to take off."

"By undercutting everyone else, I've managed to obtain an order which will *absorb all my resources and be carried* out at a substantial loss."

"The last decade was an unlucky one in some ways."

"During the last 10 years, I've started up 27 different businesses, all of which have failed. I've no idea why!"

"Can you introduce me to an astute accountant?"

"I'd like to meet a dishonest accountant who will fiddle my books."

"I wouldn't normally complain, but it's a matter of principle."

"I've contributed to a bank error, but, as it's gone against me, I want the money back."

"I would be pleased to co-operate, but it's a matter of principle."

"A bank error has gone in my favour and I intend to keep the money."

"Of course I will give security for the loan when the time is right."

"While the business remains highly vulnerable, I'd like you to carry all the risk, please."

"One of the people who signs cheques is on holiday/off sick, etc."

"We're doing everything we can to delay paying."

"I see it as an investment for the future of the business."

"I'd really like a new BMW to show off to the neighbours. Oh, and incidentally, my son wants a Porsche."

"The overdraft on the farm account fluctuates with the seasonal nature of the business."

"We manage to get the borrowing down to the agreed ceiling figure when the harvest comes in."

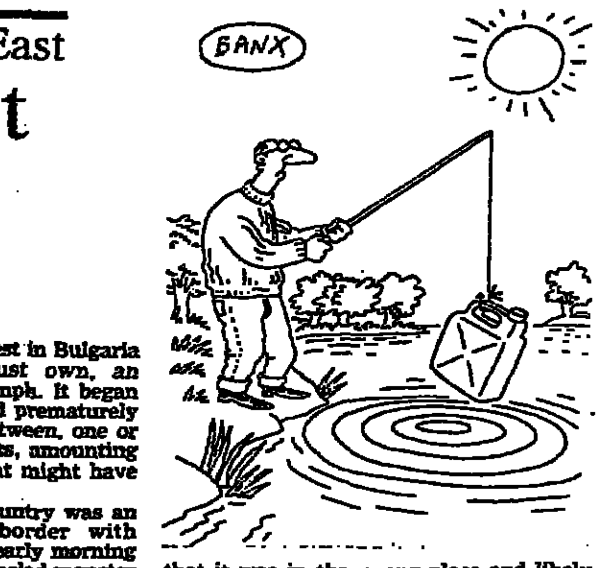
Roger Bardell

■ *The writer is a Lloyds Bank executive.*

PERSPECTIVES

Rivers of the East

Leave it to the expert



MY ANGLING quest in Bulgaria *was not*, I must own, an unqualified triumph. It began badly, and ended prematurely - although there were, in between, one or two mildly redeeming aspects, amounting to a tantalising taste of what might have been.

My introduction to the country was an eight-hour wait at the border with Romania, and an expensive early morning embrace from the many tentacled monster created by the Bulgarian authorities to separate foreigners from their precious currency. After that, however, things – for a time at least – looked up.

The credit for that goes to the secretary of the *Fishing Union*, Zachary ("Ary") Arsov, and his English-speaking colleague, Danko Poliakov. I arrived on their doorstep without warning, the Bulgarian Tourist Office in London being unaware of their existence – and, indeed, unable to establish for my benefit whether there were any fish in Bulgaria. But, being true sports, Ary and Danko rose to the occasion.

Within a few hours a minivan and driver were commandeered, and we were soon bouncing up the road into the Rila Mountains, and the famous monastery deep within. Beneath its mighty walls and the tourist coaches, flows the Rilska River, and in a shaded spot beside its foaming waters we found the Local Expert.

Every angler is familiar with the Local Expert. He knows the places other men do not know, and uses flies no-one else has thought of. When we think we have done well, he has done better. When we have caught nothing, he always has a brace or two. He was made to make us angry, and then humble. If we listen to him – and, more often than not, he is happy to share his secrets – we will learn.

Unfortunately, my communication with this choice example of the species was necessarily limited, as we had no language in common. But he sat me down, plied me with apricot brandy and salty goat's milk cheese, displayed a pair of trout he had caught that morning, tied me a fly of bizarre appearance made from wild boar's hair, then grasped his bamboo with twine attached (no nonsense about reels) and bid me follow.

It was easier to understand the instruction than to follow it. He bounded from boulder to boulder like a chamois, pausing momentarily to drop his fly here and there. I was – I must confess – hard pressed to match his pace, in fact, keeping *him in sight rapidly replaced fishing as* my first priority, since I was anxious not to become lost in this wild unpopulated region.

On the rare occasion I had leisure to fish a pool, I found the trout would come at the fly but would not take hold. The Local Expert, when I caught up with him, gesticulated at the sun. We were able to agree that it was in the wrong place and likely to remain so. So we went back. The expert asked of my companions how old I was. I fear the red face, the gasping and wheezing, the slipping and sliding, had been noted.

That night we stayed at a trout farm run by the fishing association for stocking rivers, which lies in a bowl fringed by the Rila, Pirin and Rhodope Mountains. On the morrow, bright and early, I was shown the neighbouring stream and advised to begin operations. If my friend Ary Arsov has a fault, it is that he is somewhat sparing with advice - which combined with the Bulgarian *habit of shaking the head to* signify assent (and nodding for the contrary) made me a little hazy as to what I should do.

The stream was very small, the water very clear. With the removal of about 2,000 mature trees it would have made a delightful piece of dry fly fishing. As it was, all I could do was to catapult my flies through the infrequent gaps in the foliage. In one of these spots, an eager little fellow impaled himself. He was a rainbow, clearly originating from the farm, but a Bulgarian trout nonetheless, and my only one.

For that, in truth, was the sum of it. We visited some lakes in the Rhodopes – in one of which a trout of 25lb had been caught, using fish eggs as a bait, I am sad to say. But with the sun high above us and all sensible fish out of sight, drinking beer in the shade and admiring the soaring peaks seemed a better bet than flogging the unforgiving water.

This little jaunt at an end, I had intended to take off on my own to try some of the other streams of which I had heard good reports. Details on these and other matters may be had from Zachary Arsov at 31-33 Bulevard Vitosha, Sofia.

But a vital element was lacking: petrol for my car. A mysterious fuel drought had gripped the capital, and in the end I had to flee to the Yugoslav border with precious few fluid ounces to spare. I was particularly annoyed to have had to pass up an invitation to return to the Rilska and to *stay in one of the monks' cells in the* Monastery.

I had entertained visions of showing the Local Expert a thing or two; perhaps even of supplying the Abbot (if they have one) with his breakfast, as was perhaps the duty of some lucky monk in times past. It was – in case I needed it – another lesson in the vanity of human wishes.

A man's world in the mountains

Richard Cowper on a battle of the sexes among the Latok I climbers

MOUNTAINEERS are said to be a stoical breed, a virtue Doug Scott, the well-known British climber, and his companions needed in plenty on their two-month-long expedition to climb the spectacular north ridge of Latok I in the Pakistani Karakoram.

I could delay describing the painful facts by explaining how the expedition got off to a fine start reaching a base camp at 15,000ft on the desolate Choktoi glacier in just 10 days. Much might also be made of the success of early training climbs and adventures: an ascent in harsh conditions of the Biacherahi snow dome at the head of the glacier; a three-day 2,500ft rock climb (by Scott and Sandy Allan) with two unexpected bivouacs without food or tents up a snowless knife-like north ridge on Latok III; and an exploration (by Rick Allen and Simon Yates) of the Nobande Sobande glacier – perhaps only the second since the famous Everest mountaineer Eric Shipton passed that way with H W Tilman before the war.

But as for the very *raison d'être* of the expedition, the sad truth is one has to record a singular failure . . . for not a foot was placed on the mountain in question. Day after day of snowfall made the 8,000ft route up the northern skyline pillar of Latok I retain its winter cloak and remained unclimbable. At first, this was accepted with equanimity as everyone set off on forays to get fit and acclimatised. But after almost a fortnight at base camp, the small alpine-style climbing group started to run into problems that had little to do with the weather.

As the arrival of the memsahib is said to have helped undermine relations between British colonials and locals in 19th century India, so the presence of three non-climbing women (a wife, a sister and a missionary friend) caused a ripple of division and discontent at base camp.

"Ideally expeditions are better without wives and girlfriends. Then everyone has the same objective, there are no distractions and no-one finds themselves with divided loyalties. I am sure the reverse would be true of an all-women expedition," says one member of the group.

Living together week after week in cramped conditions in tents on ice and rock in the middle of a glacier and six days from human habitation imposes considerable strains on relationships.

Throw in the mind-numbing exhaustion of climbing at high altitudes, and the frequent risk of avalanche or crevasse, and it is not hard to see how easily broken is that fragile unity of purpose so essential for the successful scaling of big peaks.

The problem was "removed" when the women departed on a 16-day trek to K2, the world's second highest mountain. But the circumstances of their exit created irritation and guilt that at the end of the trip was to erupt into unseemly recrimination over precisely how much more the so-called trekkers should pay towards expedition costs.

While they were away trekking the weather improved somewhat, but never enough to make Latok I feasible. There was too much unconsolidated snow. An attempt to climb the dramatic 19,955ft peak of Hanipispur south had ended in failure for this reason less than 1,000ft below the summit, and now a drive by Allen and Yates to scale the 21,170ft Bobisghir which rises out of the Nobande Sobande glacier was also repulsed by dangerous snow conditions.

At this point enter, almost a month after the start of the expedition, the remaining member of the team: the remarkable Robert Schauer, the Austrian climber and film-maker. Schauer, who has five 8,000m peaks to his name, had travelled overland by army vehicle through Iran. Movie camera under one arm, sound recordist on the other, he and the rest of the group made the three-hour trek to the foot of Latok I, where almost everyone pronounced the near-vertical north ridge too dangerous to climb for at least several weeks.

"There was avalanche debris littered everywhere. Through the binoculars we saw a series of overhanging cornices and snow mushrooms dotted along the ridge. It would have been suicidal to climb it in those conditions. Better disappointed than dead," says the normally-impulsive Sandy Allan, who saw a climbing companion fall to his death just two pitches short of the top while climbing the north face of the Matterhorn in 1984. Rick Allen, the wiry climber from Aberdeen who survived a spectacular 1,500ft fall in an avalanche on Makalu in 1988, was "entranced" by the possibility of doing an ice climb along a couloir going straight up the centre of the mountain – until a huge cornice fell off the middle of his line.

Scott then proposed everyone shift allegiance to nearby Latok IV, itself a considerable challenge; Schauer wanted to continue filming near the head of the glacier; Allan preferred having another go at Bobisghir; while Allen secretly thought an attempt should have been made to get on to the first part of the Latok I north ridge. An idea to climb the nearby Ogre was swiftly scotched by Scott, who broke both legs climbing it in 1977. Nobody could agree on a common goal.

At this point, more than three weeks before most of the team was due to fly back, the British Latok expedition 1990 voluntarily disbanded, never to spend another day together. Three returned home early, three went on to Hushe on a reconnoitring trip and three decided to stay. The latest news by runner from the Choktoi is that Yates and Schauer are planning to come out soon.

■ *The author was a member of the British Latok expedition, which was sponsored by Inspectorate-OIS, part of the Brompton group of companies.*

Porters negotiating a difficult patch above the icy Braldu river

'The crackpot Macmillan, a pompous posturer . . . this hapless Government's gyrations defy description . . . Butler's nerve is withering . . . I am very tired'

■ *From Page I*

The Government's first instalment of deflation has created more wailers around London Wall than Jerusalem ever knew. The next instalment may induce the City to erect a statue to Dr Dalton.

Yours ever,
Brendan

Their letters were often accompanied by the exchange of gifts: wines, whisky, hams and cheese, the latter produced at Beaverbrook's farm.

Bracken to Beaverbrook,
Princes House,
June 5 1954
95 Gresham Street,
London, EC2

My dear Max,

Having tasted your noble cheese all I can say to you is it's the best I have eaten since Mr Hitler started his experiment in redrawing the map of Europe. You ought to be very proud of the success of your farming operations at Cricket which enable you to produce cheese like poetry.

I am very grateful to you.

Yrs,
B.

On April 5, 1955, Churchill finally resigned and was succeeded by Sir Anthony Eden. The Eden Government was dominated by the Suez crisis which began in earnest in the summer of 1956 and forced Eden's resignation the following year . . .

Bracken to Beaverbrook,
Princes House,
November 21 1955.
95 Gresham Street,
London, EC2

My dear Max, One of these days I will write you a long screed about happenings in politics. This government seems to be an avid collector of troubles. Butler has got himself into a hell of a mess and holds that everyone is wrong save himself. Aneurin Bevan is a much milder critic of our banks than is the Chancellor of the Exchequer. Butler's nerve is withering and I think if he could extricate himself from the Treasury he would jump at the opportunity of being Leader of the House. But I can see no quick way of his doing this.

Macmillan has become a pompous posturer and will be a growing liability to Eden. One of Eden's minor Ministers, Boyd Carpenter, is likely to get the Government into a lot of trouble.

Yours aye,
Brendan

Beaverbrook to Bracken,
January 23 1956

My dear Brendan,

The death of Jimmy Dunn has distressed me a very great deal. I don't know what is *going to become of his wife.* She has written me to say that she wants to go to a convent. It would be a piece of folly. Besides, she wouldn't like the food there. And she would certainly quarrel with the Mother Superior.

What a depressing picture you give me of the Treasury. And unhappily, only too true.

You remember Macmillan served with me. He will do strange things and I am sure he will live to perpetrate a great deal of mischief. I would rather have Butler.

And with affection and devotion and looking forward to my return early in March.

The Suez Canal was unilaterally nationalised by President Nasser of Egypt in July 1956. As it was supposed to be an international right of passage, Britain and France prepared plans to seize it back. Talks began and lasted well into the autumn . .

Bracken to Beaverbrook,
December 7 1956.

My dear Max,

Thank you for your letter.

This hapless Government's gyrations defy description. The best way of describing their Suez adventure is to call it another Jameson Raid. No-one can ever estimate the economic and financial consequences of their action. Macmillan, who has been an absentee from the Treasury, as he has been busily posturing on platforms as the scourge of Nasser, has now returned to the bosom of his gloomy officials. They have almost scared him from his bread and butter and so the financial measures he is taking to rectify the Suez fiasco are almost as silly as the adventure. To ask for a waiver they encourage the bears of sterling everywhere and it will cost them more dollars to support the pound than the amount they hope to get under the waiver.

Macmillan is telling journalists that he intends to retire from politics and go to the morgue. He declares that he will never serve under Butler. His real intentions are to push his boss out of No. 10 and he has a fair following in the Tory Party. The so-called Canal die-hards think better of him than they do of Eden or Butler.

Eden has no intention of giving up No. 10. I should say he *was the least rattled of all his* ministers. He writes cheerful letters from Jamaica and doesn't seem the least bit perturbed by all the storms that blow over him. There is nothing wrong with him physically,

but he was very tired, hence his holiday.

If it was a mistake for him to go away at the present time (and I now think it probably was) I was one of the people who advised him to go. It shows how poor an adviser I am! But as he told me that he fully intends to brazen this out, I thought he might as well get physically fit before facing the litter of problems that lie ahead.

I wish you were here.

Yours affly
Brendan

PS. I still think you were right to back Eden. He is the best of the Tories. I don't say that is terrific praise, but it is something. The alternatives are the crackpot Macmillan or Butler, who is a curious blend of Gandhi and Boss Tweed.

In January, 1957, Harold Macmillan succeeded Eden as Prime Minister. Eden left for a holiday in New Zealand; the *last person to see the Edens off* was Brendan Bracken . . .

Bracken to Beaverbrook,
January 23 1957.

My dear Max,

The main reason for Eden's departure is not the one circulated by politicians and the Press. The reason is political, but as it involves a secret stuffed with dynamite I can't put it in a letter. This seems melodramatic, but alas, it is *only too true as you will agree* when you hear it. If Eden had been of tougher fibre he could, I am sure, have brazened it out.

Health, of course, played a part in the decision, but I think his illness is more due to the effect of mind upon body than to the patchwork done by the surgeons and doctors.

My Lord Salisbury's intervention in Eden's affairs was conclusive. Eden's authority in the Cabinet had diminished considerably after the somersault about Suez. This was due to the opposition, if intense wavering can be called opposition, led by Macmillan. At the beginning of our invasion of Egypt Macmillan breathed fire and slaughter against Nasser and his tribe. When the Americans declared there would be no oil forthcoming for Britain and the Treasury officials started totting up the cost of an oil famine, Macmillan was all for obeying the behests of Eisenhower and Dulles.

The President was in a great state of rage against Eden and sent him some scarifying messages. Eisenhower's indignation was due more to personal pique than to any fervent belief in the United Nations. He felt that his electoral prospects might be seriously damaged by a war in Egypt.

Naturally, the Suez fiasco greatly lowered Eden's prestige. He could, I think, have got over this were it not for the spate of criticism of his departure for Jamaica. He returned in high spirits which only lasted for a few hours because scarcely had he arrived in Downing Street than a deputation lead by Salisbury and Butler informed him that while the Cabinet were willing to carry on under his leadership until Easter, if it was then clear that his health was not fully restored they felt a new head of the government would be necessary. If Churchill had had such a greeting from his colleagues he would have told them to go to the furthermost part of Hell, but as you know very well Eden has none of Churchill's pugnacity.

Butler greatly fancied his chances of succeeding Eden, but they were blighted by the advice offered to the Monarch by Eden, Churchill and Salisbury. Most of the Tories in the House of Commons were agin Butler. *They blamed him for* the Suez scuttle, whereas Macmillan had a far greater responsibility. Nor was Macmillan slow in his siege of Number 10. He let it be known that in no circumstances would he serve under Butler and he did some powerful private canvassing. Of Butler, therefore, it may be truly said in the words of Coleridge – *"For I have lost the race I never ran."*

Yours ever,
Brendan

In 1958 both Churchill and Bracken became ill. Bracken retained his humour amid his concern for his friend and his worries about his own deteriorating health. Bracken died on August 6, the day after telling Beaverbrook he was "very, very tired."

Bracken to Beaverbrook,
April 21 1958
PRIVATE

My dear Max,

Many thanks for your letter.

Alas, Winston is not very well. Moran has been at Chartwell for four or five days and his normal imperturbability seems rather dinted. He told me he would like to come up and have a talk with me on Monday and I, of course, am at his service.

Our friend Winston is, of course, a medical marvel. He has disregarded all the normal life-lengthening rules and has witnessed, doubtless with regret, but with some complacence, the burial of most of his doctors, save Charles. But the sun is Churchill's great life-maintainer and the lack of it has probably played some part in creating his present condition.

Contrary to doctor's expectations my health doesn't seem to improve. This wondrous cobalt radiation seems to have narrowed my throat to such an extent that I find it awfully difficult to swallow food. Believe it or not, the only thing I can eat happily is porridge – stuff I haven't touched since I left school.

As a Somerset landlord and cheesemaker, you may be interested in the enclosed article. I bet you Lord Waldegrave doesn't produce a cheese like yours.

Yours affly
Brendan

Bracken to Beaverbrook,
Flat 121,
5 August 1958,
Grosvenor House,
Park Lane, W1.

My dear Max, Many thanks for sending me the Birkenhead book on Kipling. I have read the first half of the first volume and the book has come to fascinate me.

For some reason beyond my powers of thought I am getting very, very tired. It is becoming an effort for me now to walk a short distance. I must fight *this with all my might.* If I don't I could quickly enter a life of invalidism. I don't share your optimism about the doctors' view of my condition, but it is obviously quite silly while one is in the world to depend upon people for too many services.

Yours affly
Brendan

PS. If Joe could get him to do so, the man to write out a surgical preface is undoubtedly General Sir Louis Spears. Since he was turned down in his hope of becoming a life peer he wants nothing from anybody at the present time. If Louis really got down to describing Eisenhower's qualities he could write something extremely good, in *fact it* might be quite uproariously funny. It was indeed one of the largest armies in history and should never have fought in the war. A synthetic general was needed to launch soldiers and armies of great pugnacity and here was Ike 'waiting to hand.' To win the last election, and the one before, the Republicans needed a synthetic President who was all things to all men. Perfection was found in Ike. No-one knew where he stood on anything. Ike, in fact, is the Dale Carnegie of generals as will as politics. A wonderful world we live in!

■ *My Dear Max, the correspondence of Brendan Bracken and Lord Beaverbrook, 1925 to 1958, edited by R.B.Cockett (£20, Historians' Press, 9, Daisy Road, London E18)*

Property

Chance for investors to go Dutch

Rental property in the Netherlands has potential, says ***Audrey Powell***

THE institutions which own the bulk of rented property in the Netherlands have recently been increasing their investment abroad. At the same time, they have been selling less profitable residential property at home – offloading blocks of apartments, often whole streets, to investors.

Some of this property has been finding its way into other markets. A firm of solicitors in London, with Dutch connections, thinks that at, for example, £40,000 for three apartments (a vertical slice of a three-storey terrace), compact blocks might interest small investors in Britain. A buyer would need to find only £20,000, they say, as 50 per cent mortgages at around 10.3 per cent are available. "Rental income from the three flats would give a yield of 9.75 per cent." Or four people could take quarter shares, for £5,000 each.

The firm (Osbornes: 071-485-8811) would be willing to form such consortiums and prepare a trust document setting out the terms on which the properties were held. These properties are in Rotterdam, which Simon Malster, an Osbornes partner, says offers the best prospect of capital growth among the important cities in the Netherlands.

It is not as pretty as Amsterdam, but property is cheaper and there are ambitious plans for its future development. The snag, of course, is that the flats are tenanted and many Britons, with all-too-fresh memories of problems over sitting tenants, might well lose interest at this point.

On the credit side, from the small investor's point of view, mortgage interest can be set off against rental income. You are told that when a flat becomes vacant it can be sold for up to twice the purchase price. There is no capital gains tax payable in the Netherlands if a purchaser acquires a property in the names of himself or other individuals – only if the acquisition is made in the name of a company

On the debit side, the Netherlands has rent control and security of tenure. But there are annual rent increases and the ceiling for controlled rents has recently been reduced, bringing more properties out of the controlled sector, says Malster.

The turnover of tenants in a typical Rotterdam block could be 10 to 15 per cent per annum, and the Dutch Government has imposed restrictions requiring tenants to move if their circumstances change. A more cynical Rotterdam estate agent, however, suggested that one should not underestimate the tenant's ability to retain occupancy, regardless of regulations.

Malster says the £40,000 in the example would include sales commission, notary's fees and land registry fees. Rent should pay off the mortgage in six to seven years.

A block of three tenanted flats, such as this, with one on each floor, is available for £40,000

Homes from home for golden youth

ONLY TWO in ten full-time working women and 45 per cent of men in full time employment in London have salaries sufficient to service a 100 per cent mortgage on a £50,000 home, assuming they could find such a basic commodity.

That's easily enough calculated from the figures for average earnings in the capital. Contrast that with the experience of the flats department of Fulham Road agency Farrar Stead & Glyn. Commenting on good flat sales in Fulham, FS & G's Caroline France reports that, "teenagers attracted by the bright lights for their very first job tend towards two bedroom flats around the £95,000 to £135,000 mark."

Supporting a 100 per cent mortgage on one of those would call for these teenage customers to have roughly three times the average salary of an adult in full-time employment in London. Any parent who thought that the children leaving home means a scaling down of their financial commitments should reach for a calculator fast. The image of "empty nester" households as tomorrow's generation of cash-rich, mature consumers clearly needs to be revised to allow for the costs of hefty deposits and continuing mortgage interest support on the childrens' "bright lights" homes.

■ Housing Minister Michael Spicer recently blamed the, "often misplaced sense of independence on the part of the young," as a cause of the official London homeless total of 70,000. Over at the Department of the Environment the statisticians report that 126,680 homeless families were accepted for rehousing in Britain last year, 33,610 of whom were in London. Add Camden Council's recent estimate of 30,000 squatters in the capital to either the official estimate of between 1,000 and 3,000 people sleeping out, or to unofficial estimates of upwards of 40,000 "hidden homeless" as well as 25,500 households in temporary accommodation and there would seem to be a mite more misplacement than ill-advised independence.

■ The Island, Winter Hill near Cookham Dean in Berkshire is a property for the fun of it. An asking price of £150,000 through John D Wood (071-493-4106) buys the freehold on three and a half acres in one of the more attractive stretches of the Thames. There are mooring rights on the island but not on either bank. There are no services, and a losing battle for anyone contemplating erecting anything more substantial than a tent.

John Brennan

A rural escape in south France

***Audrey Powell** looks at a prestige development in Aix-en-Provence*

BRITISH DEVELOPERS suddenly seem to have discovered Aix-en-Provence in southern France. At least three have recently started projects in the area surrounding Aix which may not have the gossip-column glamour of the Côte d'Azur resorts not far away, but it has its own attractions.

Half an hour from the Mediterranean coast and Marseille airport (90 minutes to London), it is an agreeable university city, with its avenues and fountains, smart shops and 17th century buildings and dozens of tiny restaurants overflowing on to its pavements.

But it has its drawbacks. Residents say it has the most expensive property in France after Paris and Nice, and that parking is a nightmare.

The largest of the British-backed residential developments being built in the area is Pont Royal Country Club at Mallemort, Provence, 17 miles from Aix. Two golf courses, a clubhouse and about 850 properties are planned for 450 rural acres. The first course, which is due to open in autumn next year, has been designed by Seve Ballesteros. The developers say it will be his first in France.

The tranquil Moulin de Venegues hotel is at the centre of the project. It will merge with the golf course.

Another part of the development will take over vineyards that have been supplying house wine to Maxim's in Paris. The old mill that was the basis of the hotel still has a wheel turning, but now it brings dishes up from the cellar.

Buyers in the development will have the option of pheasant or partridge shooting in nearby hills, or of wild boar hunting in the forest – at £100 a day. Other residents may prefer more prosaic swimming or tennis. For golfers various hazards are being prepared on the new course. A leading challenge will be clearing the gorge to the 11th green. But there will be alternative tees for the less experienced.

The first residential development will be a village of about 350 properties, some fronting the fairways, others in clusters sharing swimming pools. The central area will have shops, restaurants, bars, around an arcaded square. There will also be a church and a school.

A group of two-bedroom flats will be sold on a 10-year lease-back arrangement, allowing an owner six weeks' use of his property a year. At the end of the letting contract, the flat is his entirely. These will be managed as a hotel apart.

The bigger villas will range from £280,000 to £500,000

A tennis centre is also planned, with a range of courts and its own fitness amenities. Another feature will be a large lagoon-type pool with surrounding terraces and a central island, suitable for evening concerts.

The landscaping programme includes planting mature plane trees (at £400 each) along roadways to give shade in summer.

A group of five typical flats and villas has just been completed and is available for viewing. They are of local stone, rendered in ochre shades, and of various sizes.

They have long windows and shutters. Some have beamed ceilings or double-height living rooms. Larger villas may have carpeted upper floors, wood-burning fireplaces and optional underfloor heating for days when the mistral blows.

Prices start at £81,500. The lease-back flats average £135,000. Villas sharing communal pools are priced from £179,000. Buyers of bigger villas may select designs from winners of a competition among English, American and French architects. Prices of these range from £280,000 to £500,000.

This five-year project is a joint venture between London & Metropolitan plc and Resort Group, which was earlier involved in the La Manga development in Spain.

■ *Details from site sales office at Mallemort (tel 33-90-591777) or Pont Royal's UK office at Richmond, Surrey (tel 081-332-1234).*

Computers will replace commuters in booming sunrise belt

OVER the years the Henley Centre for Forecasting has provided a consistent flow of good news for country agents and dire predictions for those with properties to sell in the capital.

Once again Henley's researchers have concluded that London is going to lose its best jobs to country towns. Henley's forecast "sunrise" business areas include the existing wealth belt west of London to the Salisbury area, the areas around Chester and Telford and from East Anglia across to Worcester. Henley weighs in with research to suggest that a continuing decline in the quality of life and skill shortages will persuade employers to move.

CALA homes simply carried out a straw poll of showhouse visitors to reach much the same conclusion – that computers will oust commuting for many homeowners by the end of the century. The buyers - or at least viewers - that CALA chatted to ranked an utility room, double glazing and "generously sized rooms" as their top three plus points for a new home.

Four, five, six and seven on the list were fitted kitchens, a family room, master bedroom with en suit bathroom and a separate entrance hall. But when asked to say what features they thought would be the greatest appeal in ten years time, a home office topped the lists. CALA's viewers want the scope to work in their home, but not to work at it. Easier cleaning and more automation, as well as an easy-care garden and low maintenance, were all seen as important. These prospective buyers proved a rather odd shade of green. Energy saving heat systems came high on their list of preferences, but so did parking for a third car.

John Brennan

GARDENING

A feast for the eyes . . . just Just one corner of the 15 acres of gardens at Newby Hall, near Ripon, in Yorkshire *Bertram Unne*

How big can be beautiful

***Robin Lane Fox** casts his eye over the giant borders of Newby Hall*

BIG GARDENS can go in either one or two directions. Sometimes their owners do not know when to stop. Perhaps you know the feeling.

You go around a court or manor with 10 acres of garden, three gardeners and quite a hefty entrance fee, when suddenly you find yourself thinking that you wish it would all cease. Another compartment opens on yet another feature for an unvisited laburnum walk; the owners have fallen in love with their ground cover, a central view has run out into confusion and somewhere, there is a lady in her 70s planning yet more azaleas on the assumption that the under-gardeners will continue into the 21st century.

Alternatively, high gardens fall short of the scale of their open surroundings. Some of their sites are overpowering; the house is too grand; a previous generation has left a high wall garden to one side of the property and put gardening firmly in its place . . . now do you come with a view of mountains or a large park?

It is particularly difficult to plan ahead on such a scale. Even at Hidcote or Sissinghurst, the growth of the hedges over 60 years have left places where the visitors can feel boxed in. There are also more visitors than ever.

In France, the huge royal gardens are more or less empty, having lost all the courtiers and camp followers for whom the great Le Notre designed them. In England, they are packed out, swarming with the very public whom the owners never imagined they would entertain when they first laid their walks and little rose gardens.

I suspect that the biggest borders in Britain run down to a river in Yorkshire, near Ripon, at Newby Hall. They support themselves privately off their visiting public without training courses, or the help of the National Trust.

Their photographs have haunted me for years and last week I checked them out.

At Newby Hall, the gardens are enormous – about 15 acres – not much of which is within normal range of the house. If you live there and forgot your secateurs, you would curse at the long walk home. By happy design and elimination, the place avoids the usual pitfalls of the over-sized. It has a firm structure and sense of scale. There is plenty of it, but not so much that you lose the thread.

The causes, as usual, are personal. Part of the design is late Victorian, laid out by a master architect. The rest of it derives from the owners' family through its ebb and flow.

The present generation of Comptons have slimmed down, simplified and (I suspect) improved the pre-war splendour of the previous generation. It is an unusual tale because a passion for gardening has run down every generation this century. The present supremo, Robin Compton, is active both in his flowerbeds and at the top of the NCCPG; the next generation includes James Compton, recently at the Chelsea Physic Garden and an author who has already shown a sharp eye for unusual garden plants.

The long borders are made manageable by running at the only possible angle for the eye: you look down them, not at them, and so you do not confront the gaps in any one season. The features of the moment lead you down their length, from tall Campanula lactiflora (a proper blue form) to some strong forms of rose-red Sidalcea, massed in groups at the borders' front.

Off the main backbone of the borders, you cross into side avenues which are a sequence of pleasant surprises. Familiar plants are doing slightly unfamiliar things in ways which we could imitate in smaller spaces. White-flowered Cistus laurifolius, the hardiest of the family, covers an entire low bank and makes a wonderful mound of flowers in July.

'Familiar plants are doing slightly unfamiliar things'

Honeysuckles grow in a free-standing way beside a set of steps and climb on nothing in particular. A double border of roses contains the white Lancastrian, the red Yorkshire and the red and white striped Rosa mundi roses which all intertwine into an ingenious bank. I fear that I liked the Lancastrian best.

Generous walks and well-controlled tree planting never become too fancy, although I am glad that I did not inherit a former Compton's idea of a big hedge of copper beech around a brightly-coloured rose garden. However, it all fades away into a marvellous rock garden at the far side of the plan. It is one of those monuments of wild Edwardian splendour which was laid out to the plans of the great Miss Willmott. Dozens of these stone empires survive to taunt their owners' decline or the changed expectation of labour.

At Newby, the rock garden is connected to a charming pergola and a particularly charming pool of water lilies. Big-leaved plants have made their mark on it, especially some fine Rodgersias with rounded leaves. The design has changed into a natural charm and historians, I hope, will take note.

There are no frills, no white-painted gazebos or upwardly-mobile sculpture. There is, however, one monument to downward mobility. One winter's day in the 19th century, hounds, huntsman and horsemen careered through Newby's garden after their fox: the animal used its wits and took the river. So did the hounds and their followers.

In Ireland, I have seen grown men swim for it, holding their horses' tails across a river too deep for gardening columnists. At Newby, they bagged a local ferry boat and piled hounds and horses on to it. It was the era of long distance sea travel for British horses around the world, but on this journey of modest dimensions, the little group started to kick each other. The boat sank, drowning the horses, hounds and five horsemen: a private monument records their sinking and the gardens have had to fit round it. Five sculptures, I inquired, for the five drowned horsemen?

Of course not, replied the present owner: it commemorates the important heroes – the hounds. The fox, meanwhile, escaped. And perhaps, on late summer evenings, his descendants come back to admire the orange blossom and rambling roses near the site.

The rare quality of an almost-weed

*Evening primroses, in many varieties, can be eye-catching features, says **Arthur Hellyer***

IT WAS through sheer carelessness, by letting it get overgrown, that I lost Oenothera missouriensis, and I am delighted to have it back in the garden again. It is a delightful "evening primrose" but, unlike the true bearers of that name, it does not have to wait until evening to open its large sulphur yellow flowers with the texture of thick tissue.

What it does require is sunshine, good drainage and space to sprawl about over a square yard or so of ground. It is an ideal plant for a not-too-steep bank or a rock garden that is not too dedicated to alpine plants. It grows rapidly, can start to flower in June and can still be at it in September.

One must not be too surprised if a plant that commits itself to that rate of living requires fairly frequent renewal from seed, division or cuttings even though it is quite correctly classified as an herbaceous perennial.

I have never heard of anyone producing a garden variety of it and it is difficult to think of any way in which it could be improved except that it could be useful to have a variant with deeper yellow flowers and may be another that was quite a lot paler or even white. It would be no surprise too if one day some such variety did turn up by chance in someone's garden and hopefully be recognised as worthy of preservation.

Such variations have been quite frequent with another of the good North American evening primroses but one of very different character. Oenothera tetragona grows erect and carries clusters of bright yellow flowers on top of its stems. Groups of it can make a considerable splash of colour planted with other herbaceous plants or in a mixed border.

Like O. missouriensis, it needs sunshine and good drainage. It also appreciates renewal by seed or division every few years to maintain it in full vigour. It will have to be division if it is one of the garden selections and not the wild species, as none of these is likely to reproduce itself entirely true to type from seed.

Ordinary O. tetragona has dark green leaves and bright yellow flowers, each about an inch across. But variations turn up with red flower buds and red tinted leaves.

One of the best of these has been sold in Britain for many years as Fireworks, but it was of German origin as are some of the other good varieties. All are long flowering, about 2ft high and easy to keep under control which makes them ideal plants for small gardens.

One cannot claim such virtues for the common evening primroses, and I deliberately use the plural as at least two species qualify for this name and I suspect are widely confused by the seedsmen who sell them.

For many years I knew them all as Oenothera biennis and now I know that one should be O. biennis and the other O. glazioviana – or what is more likely in seed catalogues, O. lamarckiana.

They are both quite tall, very leafy plants with big rather floppy pale sulphur yellow flowers that begin to open as the sun goes down. Their colour perfectly suits the evening light but it is difficult to keep the plants looking tidy because they are easily disturbed by wind and rain.

They are ideal for a wild garden and may be grown in quite small gardens if a few yards can be found in a corner. It does not have to be a very warm or sunny place for these are not fussy plants. But nor then are perennials.

They must be raised every year from seed and will occasionally start to flower that same year. More usually, however, one must wait for the second year for flowers and at the end of that the plants will die. With luck they will by then have scattered enough seed around but it is safer to save some and sow it in a place where the seedlings can be kept under observation until they are large enough to be planted where they are to flower.

Rather a lot of trouble, you may think for a semi-weed?

Perhaps so, but it is a very agreeable weed with a very special role in some gardens and I like to have it around. I think the one I have is O. glazioviana which has larger flowers than O. biennis . . . but I am by no means sure about it.

All these are easy and readily available plants, the perennials from many nurserymen and the biennials from some seedsmen.

Here is just one more kind for collectors: a highly distinctive plant that is rather difficult to grow and even more difficult to buy, although *The Plant Finder* lists a few sources.

Its correct name is Oenothera acaulis, which means stemless, but it used to be called O. taraxacifolia which means "with leaves like a dandelion:" and that fits it perfectly. The trouble is that a plant that looks like a common weed when it is out of flower is apt to suffer an untimely death from hoe or herbicide.

However, this odd plant is too rare and too tricky in other respects to be left lying around in mixed borders. It should be grown in a big pan or a small bed in an alpine house or frame in particularly well drained soil and with protection from rain and hard frost in winter. Then it will make carpets of its jaggy leaves and from May to September produce large, flimsy petalled flowers which start white but fade to pink.

I would not call it a raging beauty, but it will attract a lot of attention.

INTERNATIONAL PROPERTY

COUNTRY PROPERTY

LONDON PROPERTY

FOOD & WINE

The name of the rosé

***Jancis Robinson** goes to the symposium of connoisseurs and finds Old and New Worlds at odds over what to call a wine*

THERE IS something almost wonderful about the complete lack of comprehension between New and Old Worlds on the subject of how a wine should be named. This made for some of the funnier interludes in last week's international wine symposium in Cambridge.

According to France's hallowed Appellation Contrôlée system, slavishly adopted for Italian, Spanish and Portuguese use, a wine is named after the place that produced it (as in Bordeaux or Chablis). The more precise that geographical description (as in St Julien or Les Clos), the better the wine is likely to be.

The AC system prescribes for each appellation precisely which sorts of grape should be grown where and how, and how they should be turned into wine. It severely limits the possibilities but usually guarantees status and therefore price. The French are perfectly happy to have their possibilities limited because the appellation requirements should precisely describe the apogee of wine potential from that particular combination of soil, exposition, altitude and climate that the French call *terroir*.

The French see their AC system – at its best the culmination of reputations built over centuries and regulations refined over decades – as the highest form of wine life, something to which the New World will inevitably aspire but may not achieve until it too has several hundreds of years of winemaking traditions under their belt.

This was the attitude which underlay an understandably smug presentation from André Enders, lawyer turned head of the governing body of Champagne, the wine name most foolishly taken in vain by any producer outside the region that gave it its name. "Appellation Contrôlée is an essential instrument for giving value to a region's wines," he admitted bluntly, letting slip that in the last five years the value of AC wines has risen 44 per cent on average.

The New World emissaries, Zelma Long of Simi Winery in California and Chris Hancock of Rosemount Estates in Australia, looked suitably impressed by this tantalising statistic, Zelma shaking her head in admiration at what a couple of letters could do to a wine price. And it's the free-spending Californian wine producers who have the highest debt to service; it's just not fair.

But then outside the lecture hall, when the all-important off the record exchanges are made between mighty folk in the wine world, two of the cleverest New World producers were heard to agree that the French were simply tying themselves in knots with their AC system. Experimentation is impossible. (The French refuse to listen to the revered California professor who wants them to know that Bordeaux would make perfect Chardonnay; the AC laws restrict Chardonnay, but how sublimely, to Burgundy). The regulations specifically prohibit producers from benefitting from modern advances in viticulture (in particular, more open systems of vine trellising that reduce the need for unfashionable fungicides).

On the podium, Hancock went further in his criticisms of the AC system, but then as an Australian, and one who has lent financial support to the Masters of Wine, he is presumably entitled to. His point is that the traditional AC system and its counterparts in the Old World have become so burdened by the requirements of special interest groups, so complicated by the demands of the bureaucracies that govern them, that the poor old consumer is perplexed by the intricate hierarchies of place-names that result.

This point was made when a senior Master of wine complained that while he had just about mastered the French AC system, he found the Italian DOC system impossibly complicated – presumably just how the average wine drinker finds the AC system.

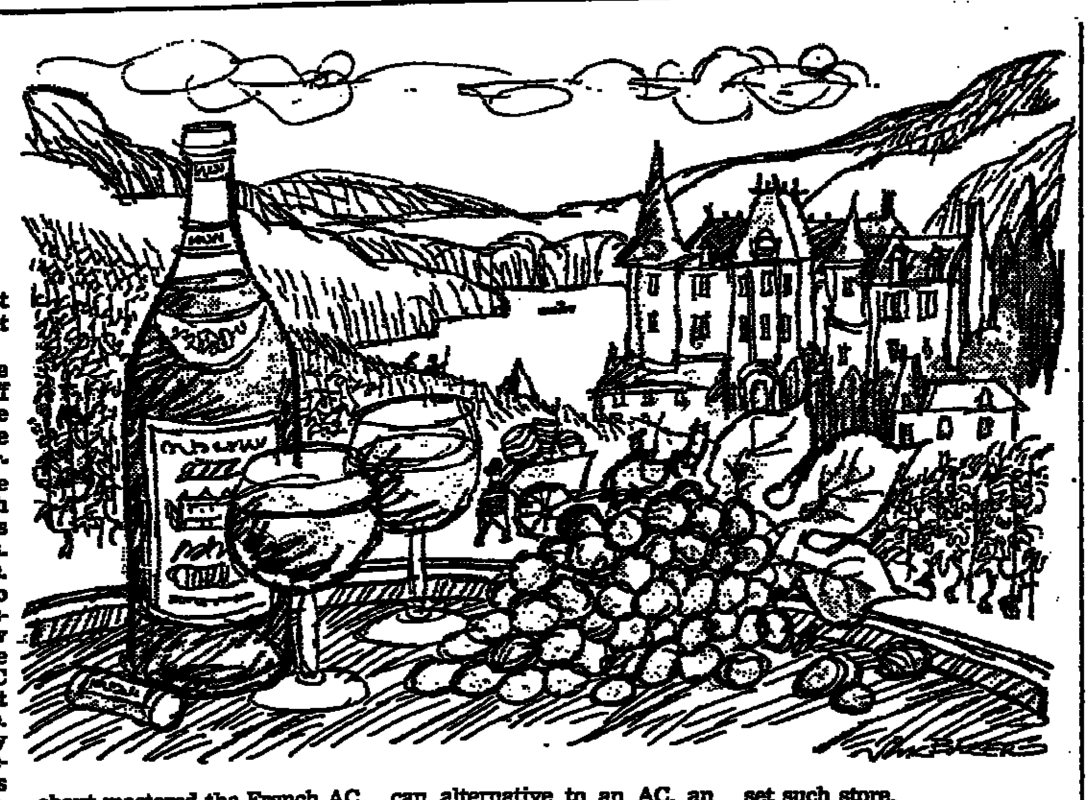
It would be much simpler, argued Hancock (not the only speaker to highlight the need to make wine more "user friendly") to have a voluntary system – none of that bureaucratic complication – that just tells the consumer which sort of grape variety were grown where to produce each wine.

The Australians are developing just such a scheme, notable for its simplicity compared with its American counterpart described to Long. Since wine contains alcohol the American government requires it to be sealed in a thick jelly of litigation. The rather crude American alternative to an AC, an American Viticultural Area, takes years of petitioning, surveying and professional services before it gains official approval. The first AVA, granted in 1980, went to the considerably less-than-famous wine region of Augusta, Missouri. There are now well over 100 AVAs, far too many of them bids for respectability from viticulturally obscure corners of the US.

All the AVA law does is delimit the area with much huffing and puffing. Unlike the AC system, it quite rightly gives no indication of the sort of wine that should be produced within it. It is far too early in American wine history to have identified the ideal combinations of grape variety and teroir by which the French set such store.

Pointedly, "as a scientist", Long made the intriguing point that she would feel happier about the AC system if there were statistical evidence that, for example, wines from the different parish ACs of the Médoc, St Estèphe, Pauillac, St Julien and Margaux, for example, each of which enjoy their own appellation were consistently distinguishable.

"In time, areas assumed to be different take on their own assumed differences", she wisely pointed out. The AC system may work superbly in a handful of France's most precious vineyards, many of them in Burgundy, but its rigid application to the rest of the wine world, and even the rest of France, may be misguided - or at the very least premature.



International masters

NOT WITHOUT difficulty, the City of London-based Institute of Masters of Wine has at last established itself as a truly international body of influence. Its second international wine symposium held at St John's College, Cambridge last week managed to attract important delegates and favourable comment from every continent. More significantly in the long term, the results of this year's examinations, announced with a flourish at the start, revealed the highest number of passes ever (10 out of 50 candidates, against three out of perhaps 30 which has until recently been the norm) of whom two constitute the first crop of "MWs" based in North America.

For the last two or three years, since the Institute realised it would have to open its doors to non-Brits to survive, numerous American candidates have trekked hopefully, and flatteringly, across the Atlantic to undergo the punishing four days of tasting, analysing, spewing and expounding that take place each May in London and determine membership of the Institute. But the first three foreign outposts of the Institute were established thanks to the efforts of an Australian in 1988 and a New Zealander and a Frenchman in 1989. The essay paper seemed to represent an insuperable hurdle to Americans geared to multiple-choice exam papers, but now Tim Hanni and Joel Butler of California have shown the examiners, and their compatriots, that it can be done.

This obviously brought much relief to the Institute which began in 1953 as a rather cosy City club of the brighter British wine merchants but is now anxious to make itself heard around the world as a non-commercial voice on the merits of wine and the need to maintain standards of wine and business ethics. Without representation in the US where wine, like any other alcoholic drink, is under the most sustained attack, this would have been difficult.

But the Institute is chronically short of funds and to finance its internationalisation process has had to canvas sponsorship from the trade, considerably better funded in the US than the UK. The American tail could well end up wagging the London dog.

The star performers in this year's exam are yet to be announced. The star performer at the symposium on the other hand was quite obvious to each of the 200 delegates. It was of course Cambridge itself, looking serenely stunning in the July heatwave.

It was perhaps shocking in these pan-European times to feel nationalistic pride sitting next to the Marchese Piero Antinori at a sunset organ recital in Gilbert Scott's Chapel at St John's. It may not have rivalled the antiquity of the Palazzo Antinori in Florence's Piazza Antinori, but it lacked no grandeur, as delegates from Brooklyn to Tokyo agreed.

J.R.

Food for Thought
Pig's ear with fizz

IN REIMS restaurants such as Auberge du Grand Cerf have managed to produce supremely elegant meals which do justice to champagne, the wine for which the town is famed. But champagne is limited as a food wine. It would be hard to conceive of champagne with game? Champagne with lentils? Champagne with sausages?

Sparkling champagne is a recent invention. It owes its development and popularity to English society at the end of the last century which insisted that the wine should not only sparkle but also be dry. The success of sparkling champagne virtually eliminated the old still red wines of the region, although there are still a handful of producers of red Bouzy, Côteaux Champenois and the very rare Rosé des Riceys from Aube.

The food of Champagne was as earthy as you can imagine. Apart from game – roast boar from the Ardennes – the meats were basically pork and mutton. Reims was famous for its hams, rissoles stuffed pigs' trotters and the little pigeon

pasties served at royal coronations in the cathedral. The pigs trotters of Sainte Ménéhould were legendary. They were served in batter with an *onion sauce*.

The old capital of the province, Troyes, was celebrated for its *andouillettes*, tripe sausages almost certainly originally made from mutton, but now made from pork. The gastronome Curnonsky thought them so delicate, he ate them raw. Even so, I doubt he would have advocated the use of champagne for *andouillettes* any more than he would have done for the local stew, the *potée champenoise*.

Apart from pigs' feet and ears, faggots and *coq au vin*, Champagne was famous for pike and carp and fish stew.

The cheeses survive. I shared a superbly ripe Chaource with Serge Bonnet, over a glass of his Rosé des Riceys. The gold label Boursault is still good and there are wonderful cheeses in Langres, but none, I think, is good with sparkling champagne.

Last autumn I became involved in a heated discussion with Monsieur Guillon, the owner of LaBriqueterie near Epernay. He has streamlined his menu to make it the perfectly discreet background to his exemplary collection of champagnes and poured scorn on the traditional food of the region. No-one in his right mind would want to eat the so-called specialities of Champagne, he told me. On the other hand, Alain Guichaoua at Le Grand Cerf was prepared to countenance having little Ardennes patés and *andouillettes* with mustard sauce on his sunny, Mediterannean menu. I think he shows laudable tolerance.

Giles MacDonogh

Cookery
When the boat came in

***Philippa Davenport** concludes her look at Norwegian recipes*

IN TRONDHEIM, ancient capital of Norway, I bought fresh boiled prawns straight from a boat which had just tied up at the quay. The catch was laid out in glistening display in the fish market on the quay. Some of the fish were neatly filleted; some were left whole but semi-chopped into steaks. A fishmonger nearby sold finely minced fresh white fish, the wherewithal to make the national speciality below – a deliciously delicate dish despite the heavyweight implications of its name, and easy to make.

FISKEPUDDING
(serves 4 to 6)

1 lb fillets of very fresh white fish – whiting, cod or haddock; ½ pt creamy milk; ¼ pt single cream; 1 egg; 1½ tablespoons potato flour or cornflour; freshly grated nutmeg (optional); a spoonful or two of chopped parsley.

Skin the fish and pick out any bones with tweezers. Cut the flesh into chunks and process it to a purée with 1¼ teaspoons salt, a good grinding of pepper and some nutmeg. The best way to get the very smooth results needed is to stop the machine frequently and push the fish down on to the blades before continuing.

Sprinkle on the flour and process again. Then incorporate the milk, cream and lightly beaten egg, in that order. Add them in a thin stream, pouring them through the hole in the food processor's lid while the machine is running. If everything is beaten in slowly and thoroughly, the finished mixture will be a beautifully creamy light pap.

Check seasoning and turn the mixture into a buttered ring mould of 1½-2 pt capacity, preferably a fluted *kugelhopf* tin for its decorative shape.

Tap the tin to shake the fishy mixture down into every corner, and cover with buttered foil. Chill if preparing ahead.

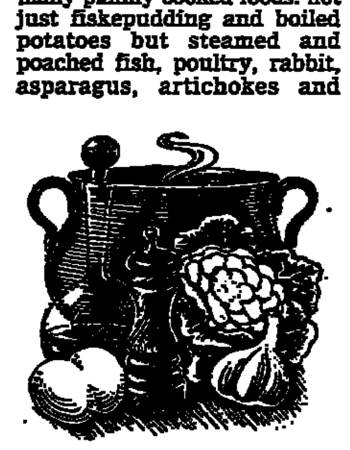
To cook, stand the covered tin in a roasting pan containing enough freshly boiled water to come halfway up the sides of the mould, and bake at 400°F (200°C) gas mark 6 for 45 minutes or until a fine skewer stuck into the mixture comes out clean.

Let the pudding rest in the tin for a few minutes. Run a round-bladed knife around the edge to loosen the mixture and turn out on to a warmed plate. Mop up any moisture and scatter with chopped parsley.

Serve with boiled potatoes and a buttery sauce such as Hollandaise, or the lemon butter sauce given here, or a jug of melted butter laced with freshly boiled and chopped prawns. Offer cucumber salad on the side.

LEMON BUTTER SAUCE
(enough for one fiskepudding)

Exceptionally quick and easy, this makes a good choice for many plainly cooked foods: not just fiskepudding and boiled potatoes but steamed and poached fish, poultry, rabbit, asparagus, artichokes and



young leeks as well.

6 oz butter; 2½ tablespoons lemon juice and 2 tablespoons water.

Dice the butter and melt it gently in a shallow pan. Do not let it sizzle or turn oily. Away from the heat beat in the lemon juice and warm water, using a sauce whisk or fork, to emulsify and thicken the mixture slightly. Season, add extra lemon juice to taste and pour into a warmed jug for serving.

NORWEGIAN CUCUMBER SALAD
(serves 6)

I rather like the distinctly sweet, oil-less dressing used here, and I am grateful to have learned the simple and practical Norwegian method for simultaneously dressing cucumber and ridding it of excess liquid.

2 cucumbers; 3 oz caster sugar; scant 3 fl oz white wine or tarragon vinegar; a little tarragon, dill or parsley (optional).

Measure the sugar into a shallow bowl. Stir in one teaspoon of salt and two tablespoons of warm water. Add the vinegar and a grinding of pepper. Slice the cucumber very thinly, peeled or unpeeled, and toss it in the dressing. Lay a second shallow bowl on top. Weight it down and leave in a cool place for an hour to draw out the cucumber juices.

Drain off most of the liquid. If desired, the salad can be sprinkled with a little more sugar and garnished with a few chopped fresh herbs just before it is brought to the table.

SKEWERED SUMMER FRUITS WITH GJETOST

Gjetost is unlike any other cheese I have ever come across. In fact it is not a true cheese, but the cheese counter in a few delicatessens and speciality food shops is where you will find it. Made from whey boiled down to a caramel, then enriched with goat's milk and cream, it looks like a block of fudge and the taste is very sweet. Even when slivered paper thin I find it too cloying to serve as cheese but it is excellent for adding rich piquancy to sauces for game – rather as chocolate is used in Mexico. The Norwegians also like to make melted Gjetost sauces for desserts. I find these sweet sauces as irresistible as condensed milk.

Thread large firm strawberries and generous chunks of peeled nectarine or peach on to bamboo skewers. Intersperse these fruits with the occasional halved apricot, wedge of melon, pear and/or banana if you like. Moisten with a mixture of orange, lemon juice and icing sugar to prevent discoloration (I allow just 1 teaspoon of sugar to 1 tablespoon of lemon and 2 tablespoons of orange). Serve lightly chilled with a small jug of sauce made by stirring over a low flame until warm and well blended 3 oz of grated Gjetost with 6 tablespoons milk or fruit juice and a good pinch of cinnamon.

STRAWBERRY, ORANGE & LAVENDER COMPOTE
(serves 6)

This recipe, inspired by one of Lynda Brown's, has nothing to do with Norway but the brilliant colours and the clear tastes of aromatically-sauced fruits make a lively follow-up to fiskepudding. For dramatic looks I like to serve the compote in a shallow borage or lavender blue dish.

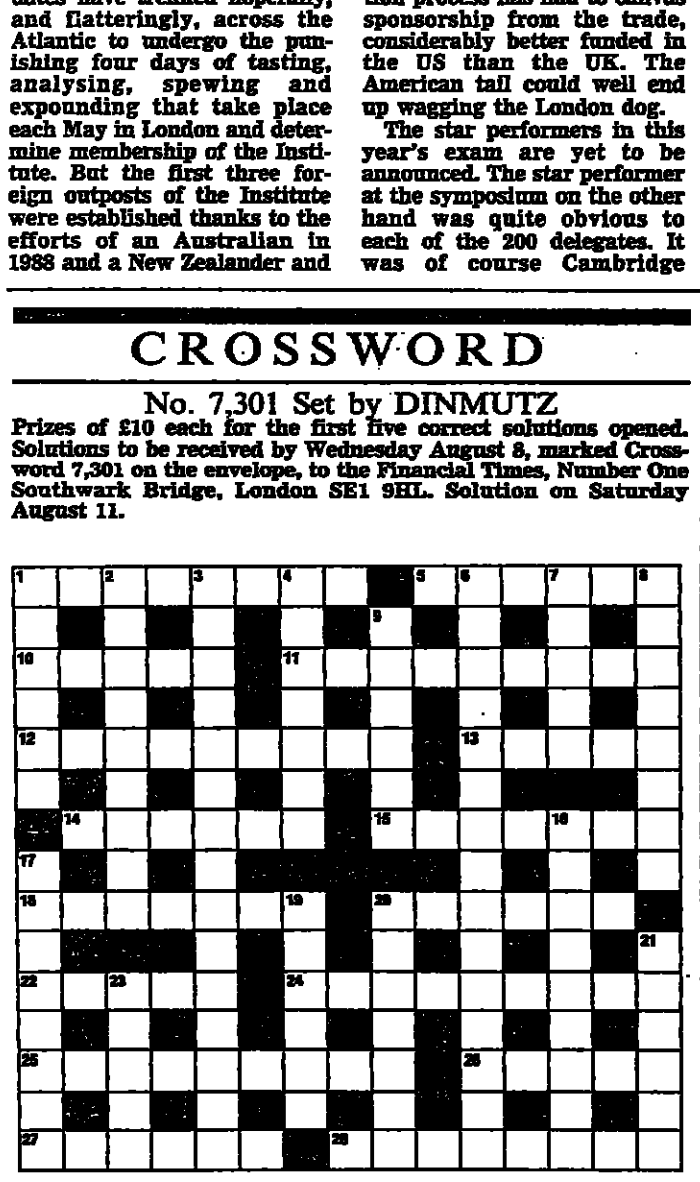
A small nosegay of fresh lavender; 2 oz or so of runny honey; ¾-1 lb strawberries; 6 oranges.

Put a dozen plump, freshly-opened heads of lavender into a small saucepan. Bruise them lightly with the back of a spoon, add the honey and 7½ fl oz water. Stir over low heat to warm and blend the honey and water, then simmer gently for about 8 minutes until slightly syrupy and reduced by about half. Stand the pan in a bowl of cold water to cool the syrup, then strain it. Slice the fruits thinly and lay them on a flat dish. Spoon on the cold lavender-scented syrup. Cover and chill briefly before serving, scattered with fresh lavender.

CROSSWORD

No. 7,301 Set by DINMUTZ

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday August 8, marked Crossword 7,301 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday August 11.



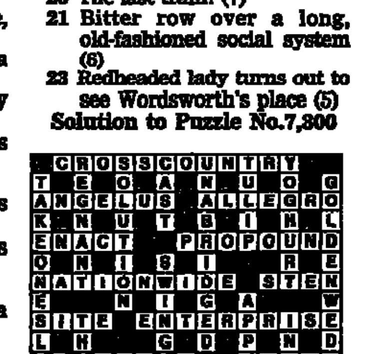
ACROSS

1 Physicist of the naughty nineties? (8)
5 A ship, approaching trouble, has to attack (6)
10 Young person who is a goody-goody on Sunday (5)
11 The world of the friendly societies? (9)
12 Celebrity in the sergeants mess (9)
13 The prize is in the bag! (5)
14 Drawbar, say, of Bunter's vehicle (6)
15 First thing, rough nurses surround one (7)
18 Fireworks music? (7)
20 Old fellow gives Dawkins a fresh start (6)
22 The poet smoulders (5)
24 Preserve from harm the patient in France (9)
25 Letter-opener? (9)
26 But can Open University students be punished so? (5)
27 Girl with instrument to weaken the spirit? (6)
28 No need to run for this take-off (8)

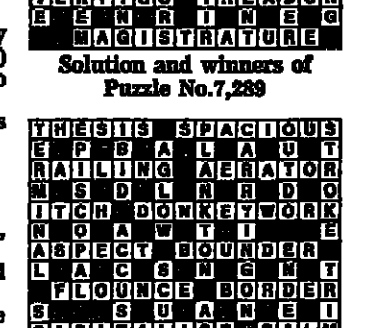
DOWN

1 Flag officer (6)
2 Care for girl like Alice? (9)
3 Go without food in tents, the globe over (7,4,4)
4 Late probe made by elected mission (7)
6 Make up night-drug, please (8-7)
7 Tree seen in central Derbyshire (5)
8 Blow safe in Wales (8)
9 Skeleton found in Paul's place (6)
16 I castle in move that is not yielding (9)
17 One holds weapon of blackleg poet (8)
19 As good as the resort of St Malo (6)
20 The last train? (7)
21 Bitter row over a long, old-fashioned social system (6)
23 Redheaded lady turns out to see Wordsworth's place (5)

Solution to Puzzle No.7,300



Solution and winners of Puzzle No.7,289



G.C. Harvey, West Ewell, Surrey; A.E. Hollocks, Norwich; C. Morris, Cuffley, Herts; A.R. Neale, Manama, Bahrain; Mrs P. White, Mickleover, Derby.

BRIDGE

MY FIRST hand comes from rubber bridge:

N
♠ K 9 6 5 2
♥ 7 3
♦ 8 7 6 4
♣ A 10

W
♠ 3
♥ A K Q 10 6 5
♦ K 10 3
♣ K Q 9

E
♠ 8 7
♥ J 9
♦ J 9 5 2
♣ 8 7 4 3 2

S
♠ A Q J 10 4
♥ 8 4 2
♦ A Q
♣ J 6 5

North-South were game and 30 when South dealt and bid one spade, West doubled, and North jumped to three spades. Prepared to sacrifice, West bid four hearts.

As the cards lie, it takes exact defence to put the contract down – South must win the opening spade lead and switch at once to the five of clubs. South, however, went to four spades, and all passed.

West cashed ace and king of hearts, then switched to the club king.

Winning with dummy's ace, South crossed to his queen of spades, ruffed his remaining heart with the nine of spades, and drew East's last trump with his ace.

He then returned the knave of clubs. West won, convinced that South had no more clubs, and afraid of conceding a ruff discard, led a diamond, and South was home.

Brilliant deception, but West should not have fallen for it. He can count South for five spades and three hearts. If he really has only two clubs, he must have three diamonds, so one ruff discard will not be enough to save him from losing a diamond.

Another rubber produced this deception:

N
♠ J 6 2
♥ K 10 6 5 4
♦ A 7 5
♣ K 2

W
♠ K 9 7 5 4
♥ A 7 2
♦ 10 6
♣ Q 10 3

E
♠ 8 3
♥ Q 8
♦ Q J 9 4 3
♣ 9 8 6 5

S
♠ A Q 10
♥ J 9 3
♦ K 8 2
♣ A J 7 4

South dealt at game to East-West and bid one club, North replied with one heart, and raised the opener's rebid of one no trump to three. West opened with the five of spades, and South took stock. If East held the heart ace, and West the queen, all would be well. But declarer, like the expert he was, assumed that West held the ace, and East the queen, and looked for a way to overcome this problem.

He saw the chance of a deceptive play. Winning the spade lead with dummy's knave, he played the four of hearts, East followed with the eight, and the knave was played from hand. West won with the ace, but could not attack spades with advantage, and South made his contract with an overtrick.

Incidentally, if West holds the queen of hearts and wins trick two, the contract is still secure against any defence. This last deceptive play is one which I have brought off many times. I hope that you, too, will have the opportunity to employ it – it is very satisfying.

E. P. C. Cotter

CHESS

BOOKS, reference journals and computer databases on chess opening theory have multiplied in recent years to such an extent that some club and social players understandably feel that their simplest course is to leave the beaten track as soon as reasonably possible. There is plenty in favour of such an approach, since systems of play thought eccentric are often revalued in a more positive light.

The move 1 b4 was introduced into master chess by the late Dr Savielly Tartakover in his game with Maroczy at New York 1924. Asked by reporters why he had considered such a strange move, the witty doctor replied that he had visited the New York zoo on the tournament's free day and had "fallen in love with the orang-outang enough to dedicate my next game to this animal."

Tartakover had a reputation for a bizarre approach both on and off the board (at Spa 1930 he lost the whole of his first prize at the roulette table immediately after the victory ceremony) and this, coupled with his self-mocking comment on the new move ensured that none of the other masters took 1 b4 seriously.

One expert, however, did pay attention. The Byelorussian master Alexei Sokolsky from Minsk, one of a group of original theorists, decided to investigate 1 b4 in depth. He found that if Black defended with a cautious positional reply like 1 ... Nf6, ... d5 or ... e6 White could develop normally with his queen's bishop well placed at b2 while in the middle game the b4 pawn exerted a cramping effect on Black's queen's side. Tartakover had thought on similar lines against Maroczy, but he never developed or systematised his ideas, preferring to keep his reputation as an improviser.

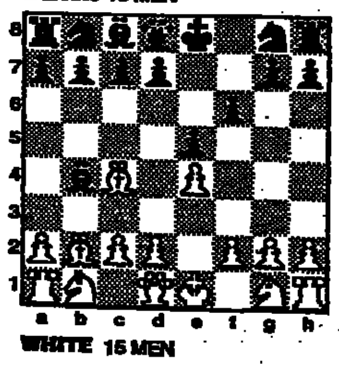
Sokolsky made a further important discovery. He noted that in many variations after 1 b4 e5 the advanced b4 pawn could be offered as a gambit to lure Black's bishop from defence of the king's side. Also after 1 b4 e5 there were possibilities of a kind of delayed King's Gambit with f4 when the bishop at b2 provides excellent back-up and creates long-diagonal tactics.

Sokolsky wrote a complete book in Russian describing his ideas and including many of his successful games. His personal results with 1 b4 were impressive, with wins or draws against strong grandmasters like Flohr and Geller.

The key variation of this opening runs 1 b4 e5 2 Bb2.

Now Black can try a tactical approach by 2 ... Bxb4 3 Bxe5 Nf6 4 c4 O-O 5 e3 d5 6 cxd5 Nxd5 7 Nf3 Re8 8 Bb2 Nf4 but this is well met by 9 Ne5. In practical club chess, Black is more likely to respond with the defensive 2 ... f6 (if 2 ... d6 3 c4 f5 4 e3 White aims for a general Q-side advance) when Sokolsky's gambit is 3 e4! Bxb4 4 Bc4.

BLACK 16 MEN



WHITE 15 MEN

Here both white bishops are on powerful diagonals and bearing down on the black king. Three typical continuations show the hidden strength of White's off-beat formation.

Katalimov v Ilvitsky continued 4 ... Ne7 5 Qh5+ Ng6 6 f4! exf4 7 a3 d5 8 Bxd5 c6 9 Bb3 Qa5 10 e5 Be7 11 Bf7+! Resigns. If Kxf7 12 e6+ wins the queen, while if other king moves, 12 Bxg6.

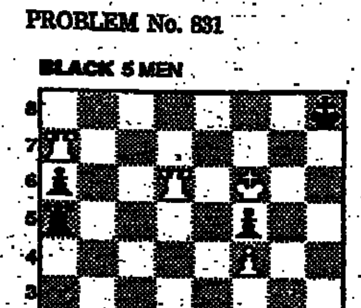
Sokolsky v Strugatsch went 4 ... Nc6 5 f4 exf4 6 Nh3 Nge7 7 Nxf4 Na5 8 Bxf6! with a winning advantage. If 8 ... gxf6 9 Qh5+, while if 8 ... Nxc4, 9 Bxg7 and 10 Qh5+.

Sokolsky v Gurevich developed 4 ... Nc6 5 f4 d6 6 f5 Nge7 7 Qh5+ g6 8 fxg6 Nxg6 9 Nf3 Na5 10 Nh4 with advantage, for if Nxc4 11 Nxg6.

The Orang-Outang (now often called the Sokolsky Opening) can thus be a useful surprise weapon. There are tricks for both sides, for example the strange 1 b4 c6 when 2 Bb2 a5! favours Black so that White has to go 2 e3. But it is a good occasional ploy, as few opponents relish the prospect of meeting a chessic southpaw.

PROBLEM No. 831

BLACK 5 MEN



WHITE 4 MEN

Englisch v. Gunsberg, Hamburg 1885. Missed chances can occur in the simplest positions. Here White (to play) is a pawn down in a seemingly drawn rook endgame, so he restored material equality by 1 Rxa6 and quickly negotiated peace. How could he have won?

Solution, Page XIX

Leonard Barden

*How do you travel — with just a toothbrush and T-shirt, or enough clobber to clothe an army? **Lucia van der Post** finds a bag to suit*

Luggage that packs a punch on the holiday front

THE GREAT summer tribal rite is under way. Large numbers of people are on the move and the annual pack-up is going on in a thousand households. It's the time of year when *fashion* editors are prone to go in *for* lots of chirpy advice on how to travel the world with nothing but a few crisp white T-shirts and a toothbrush. But worry not, this article isn't going to be one of them — this is about luggage.

What kind of luggage and how much you decide to put in it is between you and your spine — there will be no guilt-inducing stuff from me about how only the chronically ill-organised need more than a little round carry-all. You can rest assured that, at any airport, I am the one with the plastic bags, the heavy suitcase and the worried look.

I believe there are two main approaches. You can decide to go *for* investment luggage — you know the sort of thing, a wonderful Louis Vuitton holdall, something in leather from Hermès or Loewe, an *efficient* and sturdy piece from Lark or Tanner Krolle: something that will last forever AND make you feel a match for Elizabeth Taylor on the move (17 *serious* suitcases are said to precede her on one of her trips to London). Or — and price usually means *that this is what most* of us end up with — you can go *for* the cheap, tough, cheerful and anonymous. This induces an extraordinary carefree attitude towards airport carousels which is surprisingly liberating.

However, what the majority of us tend to settle for is a combination of the two: something rather fine and splendid which we always carry ourselves and regard as an extension of our wardrobe, and something rather cheaper which we can hurl happily into the turmoil of the airport systems.

These days, whether in grand or minimal style, we are spoiled for choice. Whereas luggage used to be sold in mainly grand and rather formal shops, today every department store and a host of fashion shops and stores carry a vast selection.

As luggage is increasingly seen as being as important as the clothes one wears, many a big-name designer has turned his attention to the matter — and is charging for the privilege. At Ralph Lauren, where they home in on a discreet old-money look, there is a black watch cotton (treated) and leather collection which looks wonderfully, insouciantly elegant — but a *holdall* will set you back £155 and a large holiday suitcase £1,500.

There still seems a surprising demand for old-fashioned Gladstone bags, hunting bags and proper solid cabin trunks clad in traditional materials like leather and canvas, for all the world *as if* we *still* had continents to conquer and empires to be won. A new proponent of the charming, nostalgic school of luggage is J & M Davidson, which does a lovely *line in dhurrie* and tapestry weaves — the floral canvas holdall sketched here conveys something of the charm of the range.

Bill Amberg is another new designer of luggage who seems to be making waves in the three years he has been designing. His models seem a cunning mixture of new and old. There are fine leather pieces — often one-off commissions based on classic lines — but then there is the jug duffle carry-all, *sketched here, originally* designed in leather for the menswear designer Paul Smith but which is now available in tough ripstop sailcloth or bright cotton. Bill Amberg's designs have been taken up in a big way by Liberty in London's Regent Street, where some of his designs are on display in the modern classics department.

For real modernists who believe that their luggage should be light, portable and in a thoroughly *hi-tech material,* Mandarina Duck is one of the names to look out for. Constantly innovating, often coming up with quite new materials (look particularly for the "Forte" range made from rubber — supple, flexible and strong) they are bags to take one comfortably into the 21st century.

Mandarina Duck seems to offer almost every conceivable shape and size in small, portable briefcases-cum-holdalls — square, oblong, bulky, slim, there's got to be something for almost everybody in the range. Authentics of 42, Shelton Street, Covent Garden, London WC2 has a large selection.

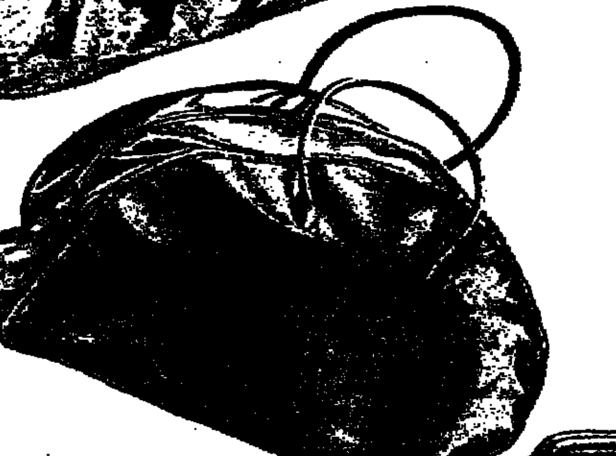
Osprey is another name to remember for baggage and holdalls that verge more towards the fashionable than the hi-tech. *The company started out* producing small accessories such as belts and gloves and has now included a range of interesting bags, briefcases and holdalls. Look out for lots of fake wildlife coming in the autumn (the "ocelot" holdall sketched here, for example) as well as some beautifully-made classic items like briefcases and the "mock croc" leather "honeymoon" handbag.

When it comes to camera bags some of the most practical containers are those made by the American company of Tamrac. Tough, durable, infinitely flexible, there is a mass of different styles, each offering a combination of zips and pockets and ranging from a case just big enough to take a small camera and some spare film to a full-blown professionals' bag.

Many offer a useful combination of bag and camera case so that passports, travellers cheques *et al* can be carried together with the camera equipment. Prices start at £10.95 for a little compact camera case and go up to £259.99 for a professional's bag.

Above, enchanting pink and beige floral printed canvas bag by J & M Davidson. £220 from Joseph, 77, Fulham Road, London SW3 and 26, Sloane Street, London SW1

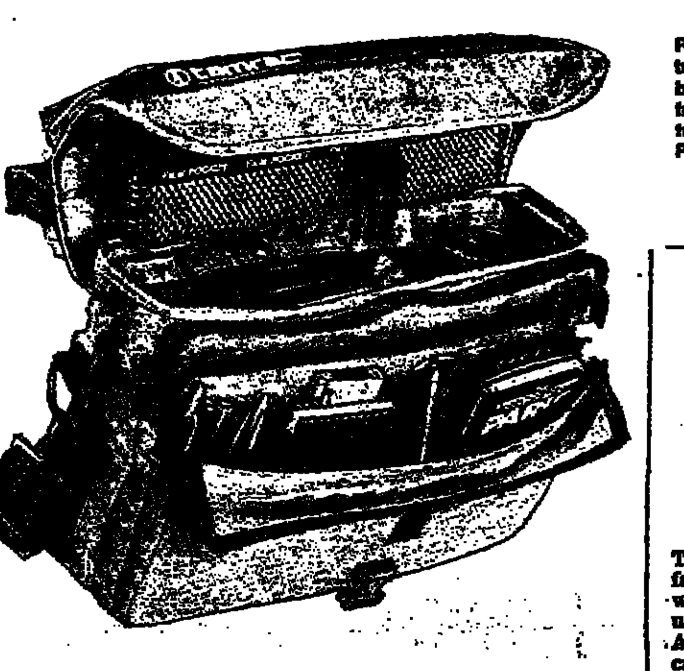
Below, chic fake ocelot fur holdall, by Osprey £169, from a selection at Harvey Nichols, London SW1 or by mail order from Osprey at Unit 4 Bowers Parade, Harpenden, Herts AL5 QSH (tel. 05827-65385)



Left, a Bill Amberg design for Joseph — a tan leather bag in three different sizes — £315 for the largest, £149 for the smallest. from Joseph, 77 Fulham Road, London SW3 and 26, Sloane Street, London, SW1

Above, a Bill Amberg jug duffle, originally designed in leather for Paul Smith, now only available in ripstop sailcloth or bright cottons. £45 from Bill Amberg stockists such as Harvey Nichols, Liberty and Janet Fitch, 2, Percy Street, London W1

Right, tan "mock croc" large travelling handbag (the honeymoon bag they call it), by Osprey, £169 from Harvey Nichols or by mail from Osprey, Unit 4, Bowers Parade, Harpenden, Herts AL5 QSH



To protect cameras from the hazards of the journey — one of Tamrac's range of sturdy camera bags. £99.95 from most good camera shops

And now, the no-snore pillow

***Simon Hinde** of Which? on ideas you never knew you needed*

THE PILLOW that stops your face wrinkling, the umbrella whose handle lights up, the ultrasonic dog repeller, Drive Alert, which plugs into your car cigarette lighter socket and releases measured doses of essential oils into the atmosphere . . . these are all clever ideas, but none is as clever as the catalogues in *which they appear.*

The catalogues fall out of our credit card statements and colour newspaper supplements, containing an apparently endless range of (usually) matt black gadgets that will check your tyre pressures, your blood/alcohol level or your spelling, translate into the major European languages or simply keep a record of appointments, addresses and phone numbers.

They make claims for their *products which range from* the simple, unvarnished superlative — "The most accurate clock in the world" — down through a whole declension of qualification: "The brightest torch in the world?" (note the question mark); "The saving on expensive chemicals means that the cleaner could soon pay for itself"(note the careful conditional); "With a modicum of luck, it may pay for itself in a few short weeks," (note *the extremely careful* qualification).

Another favourite technique is the appeal to technology and expertise. The classic text here is, of course: "Developed for use by the astronauts on the Apollo space program" (the Triple Action Space Pen). In a variation on the theme, the Swingrite practice golf club is endorsed by Bernard Gallagher thus: "Without question the best teaching aid for the amateur golfer," in the Autumn 1989 Innovations catalogue. (The same quotation appears in the Spring 1990 catalogue but Gallagher's name is unaccountably missing.)

There's a clear hierarchy of expertise, too. The ideal is to have been invented by an expert, like the "snore-stop pillow, designed by a UK Ear, Nose and Throat Surgeon." Failing that, go for expert endorsement, like Medi-pillow ("approved by registered physiotherapists and osteopaths"). Sadly, the best that can be said for the the "anti-wrinkle pillow" is that "many satisfied users in the US claim it works!"

It was heartening that one product sold itself on the basis of rigorous testing. "At a design show in Paris the Stunt Watch was strapped to a motorcycle wheel turning continuously over bricks. Ten hours later it was found to be in perfect working order."

As a test method, this would find little favour at the Which? laboratory — no relevance to how the product is used in real life; proves nothing — but it at least shows that the people behind the catalogues appreciate the importance of rigorous testing.

Our lab staff devised tests for a number of the gadgets in the catalogues. First, the good news. Everything worked and the one *damaged* item was replaced promptly.

A screw-in car aerial, designed as an instant replacement if yours is broken, was easy to fit and looked neat. It received FM about as well as a metal coathanger — a common but *less attractive* alternative. A tyre pressure measuring device was easy to use and fairly accurate — though at £19.95 a lot more expensive than using a petrol station air line. Paperlok, a machine for attaching sheets of paper *together without using* staples, worked almost as well as a conventional stapler.

The bad news was that Clever Caps — tyre pressure indicators designed to be fitted to your valves and left there — were inaccurate. And they let one of the tyres down on our test car.

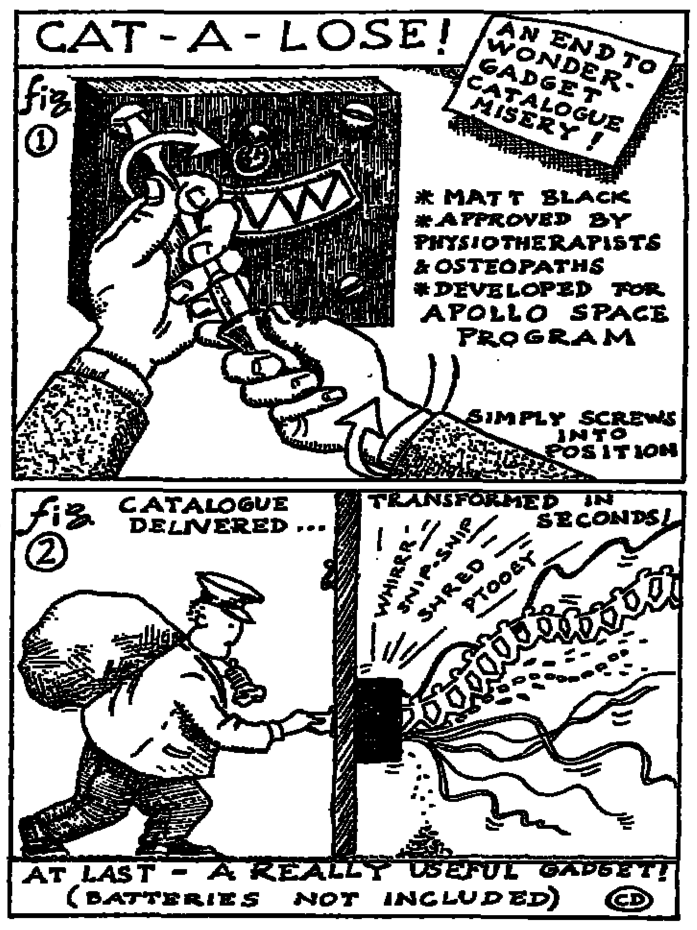
The matt black Pocket Tool Card — which packs four screwdriver bits, a saw, knife, tape measure and spirit level *into* something roughly the *size* and shape *of a credit card* — was so flimsy that you could use it for little more than changing a plug.

The Anti-Jet Lag Formula — pills which "should [the careful conditional again] enable travellers to adjust to international time zones with minimal effects from jet lag" appeared to have little medical basis. It did nothing for our three guinea pigs, Holiday Which? researchers on a trip to the Far East. One found the tablets hard to swallow, a useful metaphor for much else in the catalogues.

We also looked at a number of exercise machines from the catalogues. None of them was any good and one was of a type that has been banned in other countries because it could injure your back. It was much the same story with DIY blood pressure measuring devices: none of them could be relied on to be accurate.

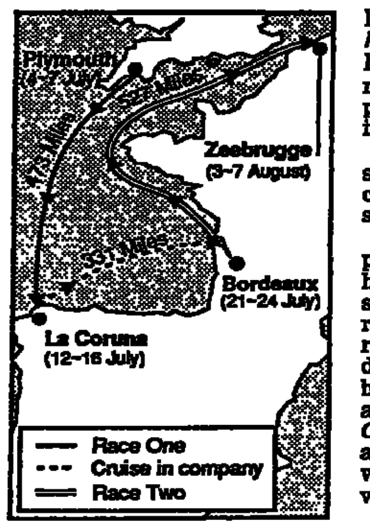
"Ties are one of the most difficult things to organise," claims one catalogue. The mind turns to other examples of organisational complexity, such as the World Cup or the administration of the poll tax; the catalogues contain no solutions to these. But £12.95 will buy you an end to disorganised tie misery. "Tie System Plus . . . a neat, automatic rack that will not only store 24 ties neatly, but also rotate them at the press of a button."

We tested it. It does what it claims. But we were at a loss as to why anybody should want one. Our verdict on Tie System Plus applies to many of the other gadgets in the catalogues: "A complicated solution to a problem you didn't know you had."



Perestroika waives the rules for Soviet sailors

***Keith Wheatley** reports on a military first for the Cutty Sark Tall Ships race*



ANDREW Berezkin's job is to train medics for the Russian Navy. Among other subjects he teaches them to sail. "Doctors make good yachtsmen, much better than the real sailors at navigation," says Berezkin. "Also, doctors must be good psychologists and being on a small boat, doing every job for yourself, helps to understand other peoples' problems."

Berezkin was speaking aboard the 50ft sloop *Rus*, currently taking part in the 19th Cutty Sark Tall Ships race. The world has grown almost blasé about the sight of the huge Russian square-riggers regularly entered by the country's coastguard and merchant marine academies. However, *Rus* is a real breakthrough.

"Only since Gorbachev has this been possible. This is the first time military personnel have taken part," explained Berezkin, who pushed the boat non-stop through 11 days of westerly gales to finish the Leningrad-Plymouth passage in time for the start.

"Our high officers think it is a good thing for the cadets to have the opportunity to meet cadets from western countries. It is the simple diplomacy of young men at sea. Now Moscow allows it."

Half of each crew will swap ship by ballot on the race's second leg from La Coruna to Bordeaux. This provides the intriguing possibility of young Dartmouth midshipmen from one of the British armed forces yachts ending up aboard *Rus*.

The keynote of the tall ships has always been camaraderie. As the ships gathered beneath Plymouth Hoe for the start, the pontoons were a veritable Tower of Babel. Chilean spoke unto Bulgarian as the two freemasonries – youth and the sea – worked their spell. Over 1,700 young people, aged from 16 to 25, are taking part in the event aboard more than 60 ships.

One of the smartest vessels in the fleet is the *Royalist*, proud jewel in the crown of the UK sea cadet movement. Smart-as-new-paint cadets in sailor's hats showed their aunts and grannies around the brig as she lay alongside prior to tackling the rigours of the Bay of Biscay.

Aboard the *Henryk Rutkowski*, an impromptu deck party was under way. Visitors were treated to *What Shall We Do With A Drunken Sailor* – with Polish verses and English chorus. The 84ft brigantine had been chartered for the race by the Universal import/export agency of Warsaw.

She is owned by the Polish Yachting Association and normally spends her time taking groups – ranging from Warsaw drug-addicts to Gdansk boy scouts – on Baltic sail training expeditions. On this ship, and also with the Bulgarian barquentine *Kaliakra*, one learned that the re-ordering of central Europe might not suit everyone as well as it does the Soviet Navy.

"I'm worried that with the privatisation of our economy something serious could happen to the sailing vessels," said Dr Joanna Pawluk. Pawluk, a cardiologist from Stettin, has spent every summer holiday since 1982 as a volunteer watch leader aboard the *Henryk Rutkowski*. "The Cutty Sark race has been my cheapest opportunity to see Europe. If we had to pay the real cost of such a trip it would not be possible."

From this year onwards the ship must find its own running costs rather than receive a state grant.

Even in the relatively prosperous British economy, the half dozen or so sail training ships find it heavy weather to raise their considerable annual running costs. Few people doubt the value of the exercise but the true cost of a week aboard, say, the *Sir Winston Churchill*, far exceeds a package holiday in Majorca – which the trainee might otherwise choose.

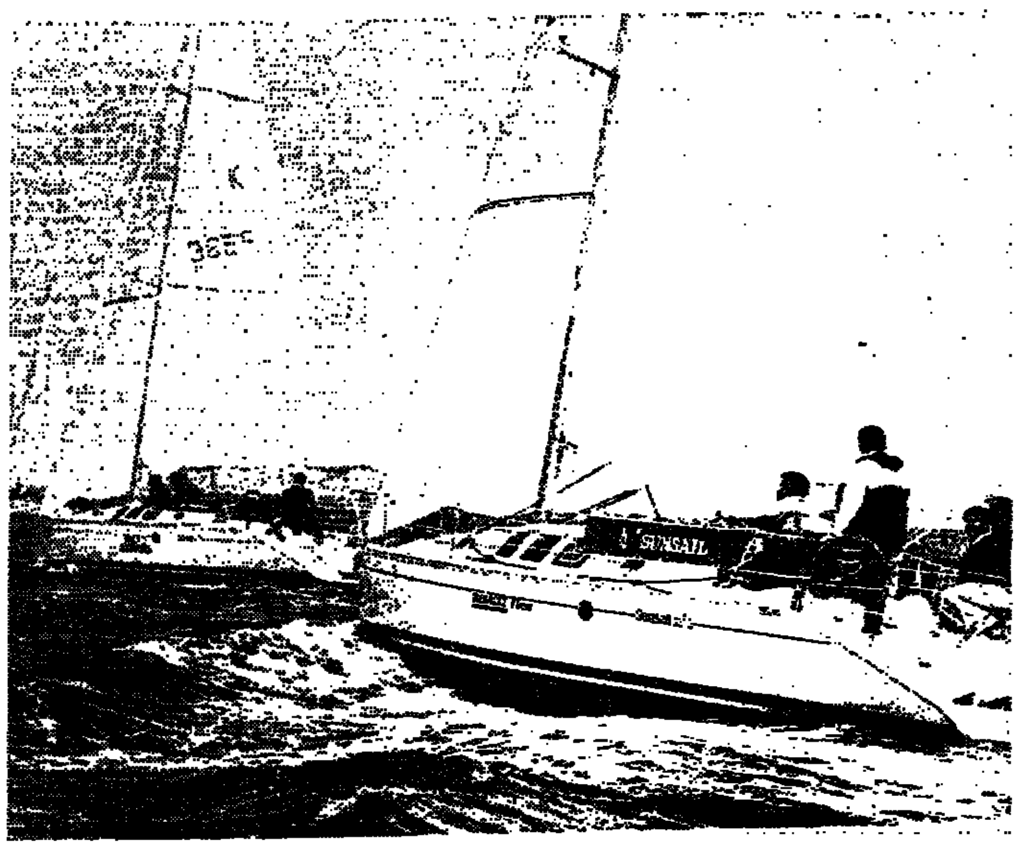
"We're lucky to still be government-funded," said Tom McCarthy, a Cork man and master of the Irish brigantine *Asgard II*. "The British vessels have to put so much of their energy into fundraising. It's time that should and could be spent taking young people to sea."

As is so often the case, Ireland is pursuing imaginative policies. Half the trainees on every *Asgard* cruise are women. Hairy-chested matelots swinging from the yardarm are not needed on this voyage.

"Young men are infinitely more troublesome without the girls on board," said McCarthy. "The women are far more serious about the sailing and about things like being appointed watch leader. The three watch leaders on the race to La Coruna will all be girls."

By common consent, the coming month is the social focus of the talls ships world. Yachties may have Cowes; the big boys have the Cutty Sark.

"It's like an international family get-together, the big event of the year," added McCarthy. "Naturally we have a good reputation in the fleet for hospitality. Guinness always make sure we have a few barrels on board and it doesn't keep too badly at sea."



Some of the fleet of Beneteau cruiser racers operated by Sunsail International

Companies are all at sea

*Corporate sailing is taking off, says **Peter Johnson***

THERE ARE as many ways of getting into sailing as there are shapes and sizes of sailboats.

Conventional wisdom is that the best tack is a week's course at a sailing school. Some begin by crewing for friends on medium or large cruisers. The luckiest ones probably started young, using an 8ft sailing dinghy. Certainly the worst method is to buy a boat, then set off with good intentions, apprehensive family members, and not much else.

Another method which has emerged in the last few years, is sail training with a company – sometimes known as corporate sailing or the corporate regatta.

Such sailing programmes frequently consist of a couple of days at the weekend or, sometimes, during the week if your company is generous. Companies often accommodate dealers, people from branches, and even long-standing customers.

As the demand has built for this unusually active form of corporate entertainment, conventional sailing schools have invested in fleets of identical modern cruiser racers for corporate use.

The services have long encouraged personnel to actively sail and for years have owned boats for this purpose. Some of the clearing banks have owned sailing boats for staff use for a number of years.

Now that it is possible to charter a fleet of yachts for short periods, commercial and professional concerns have joined in.

A popular format at Sunsail International, whose French designed and built 38-foot Beneteaus are based at Port Solent, Portsmouth, is a one-day outing. Sunsail typically use six or seven boats with five crew with the option of a professional skipper. After safety briefings boats go on a practice sail to familiarise everyone with basic steering, sail handling and anchoring. Then they meet for a champagne lunch. The afternoon is spent racing back to base.

Sunsail has two 32ft 6in sailing cruisers on Lake Windermere for companies in the North and for "tasters" before going south to the main fleet.

Slightly smaller (32ft) Westerly Fulmars comprise the fleet of Westerly Sea School on the Hamble River. Individual training is run mid-week, leaving the weekends for corporate regattas. A firm gets to know its preferred programme after one trip and Westerly will arrange a schedule to fit requirements – for instance a two-day event with three races.

For less demanding sailing, both Sunsail and Westerly have large power boats, which can be used for more conventional corporate entertainment.

Stephen Hubbard, a partner of Richard Ellis which uses Sunsail, said: "After several visits with our own people, we held a more open corporate regatta this May. There was a crew in each boat from a major client plus one Richard Ellis partner. We also had one all-Richard Ellis boat. No less than 12 similar boats were used, with six persons on each.

"Admittedly this all requires a lot of organisation and one needs sizeable clients, who can can find enough yacht crews. However sailing has a high profile in this firm and we have plans to develop suitable regatta formats in the next few years."

Several companies have been introduced to corporate sailing through the Air Canada Industry Sailing Challenge. The original idea called on UK companies to find the crew for one boat in a race which went twice around the Isle of Wight. Canadian provinces or companies sponsored each round.

Competition has now so intensified, with 70 companies applying to sail this year, that an additional slightly more relaxed event, the Westerly Sailing Challenge, will take place over three weekends in September.

British Performance Sailing, based at Lymington, runs company sailing with more emphasis on race training. It uses six First Class Europes, distinctly tricky racers, for Commercial Motor and its clients to hold three days of races.

Other types of company sailing come under the heading of "career development" or "management training," harking back to what the services have practised all these years.

More emphasis is placed on team work and tolerance when boats are taken on more demanding, longer night passages. The relationship between enduring some hardship and physical stress and management ability is perhaps over-rated, but for some people and some kinds of business, it may be stimulating.

■ *British Performance Sailing (BPS), Lymington, Hampshire S041 9YL; Sunsail International, Port Solent, Portsmouth, Hampshire P06 4TH; Westerly Sea School, Hamble, Southampton S03 5NB.*

Critic on the right track

***Stuart Marshall** keeps challenging the relevance of supercars*

TO MY surprise, no reader has so far leapt to the defence of the ultra-fast, road-going supercar, hand-made at vast expense in small quantities.

Two weeks ago, when I reported having sampled the £120,000 Aston Martin Virage, I said I couldn't see much point in continuing to make cars like it because they were out of tune with our times. They were fuel swilling and could only be seen at their best if driven at illegal speeds. And were they, I asked, necessarily any better as machines than cars made, not by hand, but by robots in high-technology factories?

The angry letters from Lagonda lovers and furious faxes from Ferrari owners have still to arrive, although I'm sure they must be on their way. But comments from two readers, and a statement by a government minister, persuade me that I may be on the right track.

First, what can you do with your megabuck mechanical masterpiece? You can be seen with it, drawing up at some fashionable watering hole. You may well be able to play with it for a few months and then sell it at a profit.

But you had better abandon any thoughts of driving it on the public highway as its makers had intended if the policy of Perth Sheriff Court is as trend-setting as I suspect.

Hector Urquhart, of Inverness, drew my attention to the deterrent level of fines and driving bans imposed at Perth last month on motorists who had been caught doing seriously excessive speeds on the A9 road.

Two businessmen had been caught driving Porsche 911s. One admitted to a short dash at 155mph (249kmh), the other to 130mph (209kmh). The third, a 22-year-old in a surprisingly quick Vauxhall Belmont SRi, had been clocked at 120mph (193kmh) – allegedly in pursuit of the slower of the two Porsches. All admitted the offences – one cannot argue with radar – and each was fined £750, with a two-year driving ban. None was involved in an accident or even an incident, but police told the sheriff that so far this year, one person per month had been killed on the A9.

So much for putting to the test very high performance claims that, while genuine enough, are becoming more and more irrelevant.

Next, a reaction from an American reader, F William Carr, of Southampton, NY.

Having seen my comments on the Virage, he wrote in praise of his Toyota-built Lexus 400.

Like many of his friends, he had traded in a much costlier, more prestigious European car (in his case a Mercedes 560) to buy a Lexus. He – and they – believed it to be the quietest, most comfortable car in the world. On the basis of my experience of the Lexus 400 on high-speed test tracks, West German autobahn and normal roads, I would not disagree.

"I had always treated an auto as a necessary nuisance," Carr wrote, "but the Lexus is so pleasant to drive, and the special sound system so great to hear, that for the first time in 35 years, I drove the 1,300m (2,100km) from Palm Beach to Long Island."

Using limited-access highways, on which he must have bent the current 65mph/105kmh legal maximum just a little, he averaged 68.5mph (110kmh) and a remarkable 23.3m per US gallon (28mpg Imperial, 10 litres/100km).

My third quote, from the Environment Minister David Trippier, enshrines an official attitude we are going to hear more frequently and insistently in the green years ahead. "We all know we do not need to use as much fuel as we do," said the minister, "and we would all be better off in every sense of the word if we used less." An obvious way to help improve the environment was to put fuel economy higher in our order of priorities.

The scope for improvement was great. "If I were to go out now and buy one of the 1300cc cars, I would find that their fuel efficiency varied by a massive 45 per cent. That is an awful lot of needless global warning."

A look at the Department of Transport's official New Car Consumptions booklet is revealing.

A rule-of-thumb reckoning to arrive at a realistic approximation of a car's consumption in normal use is to divide the official urban consumption by two and the figures for constant 56mph/90kmh and 75mph/120kmh by four. You should then round off the answer to the nearest mile. But bear in mind that if your typical day's use of a car is to drive five miles to your office in the morning and five miles back home at night, the figure will be hopelessly optimistic, especially in winter.

This reckoning gives 49mpg (5.76 litres/100km) for a 1297cc Ford Escort L; 38mpg (7.43 litres/100km) for a 1299cc Hyundai Pony and 32mpg (8.82 litres/100km) for a Lada Riva – all figures for 5-speed manual gearbox models. You can see what the minister had in mind.

According to this rule-of-thumb, my present car, a Citroen XM 2.1 litre turbo-diesel, should average 41.8mpg/6.75 litres/100km. Remarkable though that may seem to anyone not familiar with a diesel car's potential for economy, it is actually doing even better. It has used 53.84 gallons (244.98 litres) of fuel for 2,327m (3745km). That equals 43.2mpg (6.54 litres/100km) – which for a big, five-seat car is almost unbelievable.

Quite a lot of my motoring is at or around the tolerated 80mph (130kmh) motorway limit but the XM also has its fair share of short trips and plenty of use in heavy traffic.

I rarely make full use of the turbocharger for hard acceleration and see little need ever to exceed 3,000rpm in any gear, which equals almost 90mph (144kmh) in fifth. It is about time someone in an official position put in a good word for the environmentally friendly diesel car.

Tide turns to leisure on Britain's canals

***Roy Hodson** on the latest stage in a renaissance of the UK's waterways*

A DAY of partying, music, fairground rides, clowns and clog-dancing, at Devizes in Wiltshire on August 8, will mark the reopening by the Queen of the 87-mile Kennet and Avon canal.

It will be seen as the most significant event in the renaissance of Britain's 200-year-old canal system since commerce turned its back upon water transport.

For 41 years in the 19th century, the Kennet and Avon canal, opened in 1810, was a great trade route. It was Britain's quickest commercial overland link between the Atlantic coast and the North Sea, connecting Bristol's Avon with the River Thames. But by 1851 it had fallen into disuse, a victim of competition from the new railway.

Today the traffic on the inland waterways of England and Wales consists of 25,000 cruising boats which provide pleasure for more than 500,000 people.

The restoration of the Kennet and Avon, at a cost of £4m, is the culmination of a long campaign by canal-lovers to save most of the 2,000-mile system. The Kennet and Avon Trust raised £2m and local authorities gave generous support. Various manpower training schemes and voluntary groups have also helped by providing labour to clear and re-build the disused locks.

British Waterways directed the work – although it can expect little return from traffic during the next few years for the canal is short of water.

Defects in the original 19th century design mean there is no adequate summit pound (reservoir) to maintain water levels throughout the canal in dry summers.

A narrow boat leaves the newly-restored Seend Cleave lock on the Kennet and Avon canal

Would-be users are having to book a slot to pass along the full length and may have to wait weeks for the privilege. However that restriction will not interfere with boat-owners who want to moor a boat on the canal and confine their cruising to, say, 20 miles in each direction.

British Waterways people may look upon the reopening jollifications with mixed feelings, but they have no doubt about their importance.

It is that the English and Welsh canals under British Waterways jurisdiction are now as safe as can be from wholesale destruction, and can in fact be regarded an important component in any national strategy for leisure.

Both the Department of the Environment and the Treasury have recently agreed to British Waterways' integrated business plan. That provides for profits earned from development of canal property (notably in cities), and profits from development along the rural canal banks, to be used to pay for maintenance arrears, and on improving the system with leisure developments such as marinas and restaurants.

It means BW will be able to reduce its dependence upon the Treasury, at least by a smidgin. Canals receive £45m a year in government grants to help them stay in business.

Income from freight is only £2m pa. Income from canal boats, angling, and other leisure uses is £5.4m. Selling and managing water earns just over £2m. The biggest earner is BW property which brought in nearly £10m last year.

British Waterways' best potential cash cow is a central London development being studied by Westminster council. It would transform the seedy area of Paddington basin and provide a stylish marina. There would be a 1.5 mile walkway along the canal between the area called Little Venice and Paddington. The total regeneration proposed would cost £600m and would be carried out by Trafalgar House and British Waterways.

A second scheme for redevelopment of the site of Limehouse Basin in the East End has started and will be carried out in stages over seven years.

Joint ventures with entrepreneurs to run marinas and other leisure facilities on the canals are another way ahead for British Waterways. As an early venture into those waters the board joined with Julian Rimmer to run a restaurant boat called Lady Rose of Regents on the Regents Canal.

A second restaurant boat, also supported by the board, is now to sail on the Monmouth and Brecon canal in South Wales.

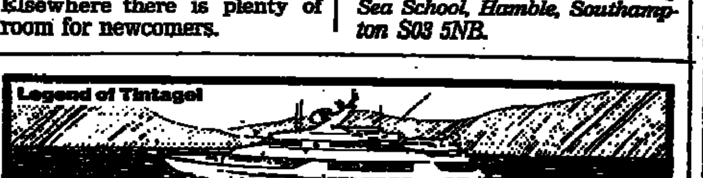
Ian Valdor, the BW commercial director believes there is scope on the system for about 20 similar boats.

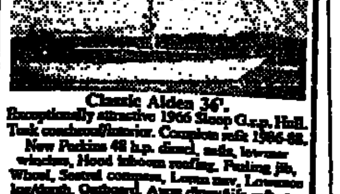
The quality of boating on the canals is quickly improving. Buyers want luxurious steel boats built to standards of accommodation that would have seemed outrageous to canal enthusiasts of an earlier age. Demand is so brisk that a buyer should expect to wait at least nine months.

The 120 operators of hire fleets on the system are also finding that this season their best boats are being hired first.

Valdor is revving up the marketing for canal cruising under the slogan: "The fastest way of slowing down." His campaign is going well. The number of canal boat licence holders rose last year by 6 per cent.

Valdor says that the only part of the canal system that can be truly described as congested is the beautiful Llangollen canal with its aqueducts. Elsewhere there is plenty of room for newcomers.





NOW, A VAUXHALL CARLTON WITH DISCS ALL ROUND.

There are many cars in the same class as the Vauxhall Carlton.

We're talking, of course, about medium-price luxury saloons.

Yet in spite of the presence of BMW, Mercedes and the rest, only four in this section of the market are luxurious enough to come with compact disc players as standard.

One is an Alfa Romeo. Three are Vauxhalls.

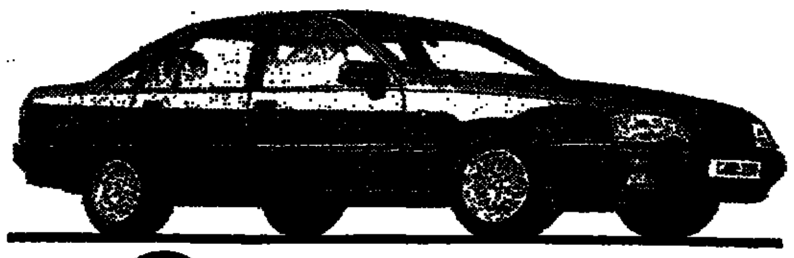
The Carlton GSi 3000. The Carlton CDX. And, of course, the Carlton CD (the only CD that's enough of a CD to have a CD).

The player fitted to the Carlton comes complete with all mod cons, including a cartridge load system that soaks up vibrations from the road.

And if most of your music collection is still in the form of records and tapes, don't worry.

The Carlton's music system includes a superb 6-speaker, 20 watts radio/cassette player.

On second thoughts, forget what we said in the first sentence. There aren't any other cars in the Carlton's class. THE CARLTON.



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Seville's secrets: a search for the bones of Columbus

*The city is gearing up for the 500th anniversary of the Spanish explorer's discovery of America. **Jimmy Burns** went looking for a legend*

WE COULD have been in Disneyland. The watchtower, shaped like a mushroom, spun us 60 metres into the sky. A Japanese clicked his umpteenth photograph and said: "From up here, everything looks small." I looked out across the landscape of steel girders, cranes, concrete slabs and Portakabins, trying to imagine a different kind of revelation. We were overlooking the prime piece of real estate reserved on the outskirts of Seville for the Expo World Trade Fair of 1992.

I had travelled to Seville looking not for entertainment but for Christopher Columbus. In two years' time, the official launch of Expo has been timed to coincide with the 500th anniversary of his "discovery" of America. Seville, the port from which Spanish sailors and conquistadores set off for the New World, seemed as good a place as any to begin my quest.

My guide – a Spaniard working for a US PR firm – was full of reassurance: "Columbus is the point of departure for understanding man's development and universality as we know it today . . . He was a landmark, the beginning of a whole new age," he said. So I waited for the watchtower to spin us down to ground level before visiting the nearby Monastery of La Cartuja.

Two weeks earlier an assembly of academics meeting in Seville had failed to agree on where exactly Columbus had been born and where he was buried. But the documentation that existed suggested with some certainty that the bones of Columbus and his son had rested for nearly 50 years in La Cartuja.

The Spanish Government is spending a lot of money on renovating this 15th century Carthusian ruin. Even in its crumbling state, it is an impressive image of architectural styles: Mudejar, Renaissance, Gothic, Baroque. At its entrance, a huge obu tree reputedly planted by Columbus' son Hernando more than 400 years ago in memory of his father extended its roots and branches like a giant octopus. Two artisans were working on it with pickforks, exposing its cluttered roots.

One of them said: "I haven't got a bitch of an idea if Columbus was ever buried here or not. Some say this is where he prayed once. Maybe you should ask the archaeologists." He was called Francisco. He was unshaven and pot bellied and his grey hair was covered in dust. His colleague was stripped to the waist and had a mane of jet black hair and a moustache. He introduced himself as "El Moro."

Together, they led me through the ruins to the site of the crypt. A stone slab partly covered the dust floor where Columbus and his son received temporary sepulchre after returning from South America. It could have been the beginning of a wine vault, a concrete depot even, but there was nothing to suggest a historic spot. The crypt was empty. Francisco noticed my disappointment: "We dig up new bones every week. Come, I'll show the latest bundle we've discovered."

In the ruin of the Chapel of Santa Maria Magdalena, the ribs looked like discarded pieces of chalk. They were covered by a sheet of plastic. El Moro kicked the dust and grunted. "Yes, some say he is in Santo Domingo, others say he is in the cathedral here in Seville. Who knows, maybe the archeologists do."

* * *

What better person to solve the mystery, I thought, than the Duke of Alba, whose household claims not only descendancy from Columbus but also the possession in its archives of the most complete set of letters and notes belonging to the explorer. Jose Maria Aguirre is a former priest who married the widowed Duchess of Alba a few years ago. Strictly speaking he is a consort rather than a duke, but this former academician takes his current duties as Commissioner for Seville with special responsibilities for the 1992 celebration very seriously indeed.

He had granted me an audience in the former royal palace which lies between a square of orange trees and the old city wall. The Real Alcazares has a reputation as the *tour de force* of civic Mudejar art in Spain: a maze of inner patios and pillars lined with geometric-patterned tiles and panelling. Built in 1361, it was the first luxurious palace to be inhabited by a Castilian monarch.

The Duke was waiting for me in the palace's former reading room, dressed in a loud yellow shirt and light brown slacks. He looked like an artist about to give a lecture. He proved intolerant of my questioning, as if he had expected me simply to listen.

The Duke spoke: "In Seville, the history of the discovery has been incorporated into the collective consciousness of the people." I asked him why it was that some Latin Americans rebelled against the notion of celebrating the 500th anniversary of their discovery by Spaniards.

The Duke spoke: "Latin Americans have an inferiority complex like the Portuguese, and they have it whenever they look at each other in the mirror. It's called being half-castes."

Afterwards I wandered round the city centre. The jacaranda and a squat local oak called "banana tree of the Indies" were in full bloom along the river Guadalquivir. The tourist buses manoeuvred like unruly elephants through public squares and between the narrow streets of whitewash and grilled windows; on the steps of the cathedral a group of Ecuadorian Indians – easily mistaken for gypsies – were doing a brisk trade in ponchos and key rings. The scent of orange blossom was sweet in the spring air, mixed with diesel.

In his diary, Columbus had written that the lands of the New World reminded him of Andalucia in May, but submerged in the modern bustle I had to stretch the imagination to picture him pacing the streets of 15th century Seville with his newly-acquired spices and slaves.

I also found it hard to believe that Columbus had been permanently laid to rest in the cathedral. Part of the problem was that the Sevillenos don't really believe it either. His marble tomb is held aloft by courtiers just by the visitors' entrance; however, visitors are not pointed in that direction but rather onwards towards the interior of this huge Gothic edifice and its thousands of artifices. The tomb does not bear the man's name, just the simple inscription: *Novo Mundo*.

I drove south towards Cadiz, to where Columbus had sailed on his return from the West Indies. The motorway was bordered with broom. Beyond, the countryside opened into rolling carpets of wheat.

At midday I was in Jerez where another descendant of Columbus had arranged to meet me. He was Manuel Prado Colon (Columbus) de Carvajal, 17th in the line of descendants. He was in Jerez to watch his bulls perform in a competition bullfight. Because of a contagious disease, horses were banned from the *feria* this year, but the women were out with their multi-coloured dresses and dangling ear-rings, and the chilled sherry – served in small plastic cups – flowed like water.

In the presence of my colleague – an Italian journalist with melancholic good looks – Don Manuel, a self-confessed womaniser, was in ebullient mood. With his bushy white beard and one arm (the other was lost in an accident) he looked and spoke like a *conquistador* just back from the Americas.

"I am more Latin American than the Duke of Alba because I was born there, *guapa*," said Don Manuel, who was born in Quito to a Chilean father and claims additional blood ties with the Aztec prince Montezuma. Don Manuel also didn't want to be drawn on the true whereabouts of Christopher Columbus. He suggested that the controversy would have best been settled had the discoverer's bones been turned into ashes before being distributed around the universe.

But he had no doubt about Columbus's importance. "I feel passionate (about him), I've left everything to be here in Andalucia so I can witness the happening of the century: the 500th anniversary of the discovery."

I drove on towards Cadiz, approaching the ancient port at sunset. Over the marshland and across the bay, fishing boats quivered in reflected light. Once inside Cadiz's ancient walls, it was possible to forget about the modern office blocks and wide polluted avenues, and marvel instead at one of Spain's most charming towns.

To walk through the old quarter of La Vina is to encounter the architectural symbiosis of the the old and the new worlds. A tropical air hangs over the narrow streets lined with flower-strewn balconies and thick wooden doors carved from Latin American forests. Many buildings show the outward signs of neglect, and yet there are coats of arms over the doorways to remind one of grander days.

That night the old streets lamps bathed the town. It was the beginning of the weekend and along the cobbled streets, groups of young people spilled from bars and embraced each other. It was in one of these bars, the Club Habanero, that I struck up a conversation with the owner, Carlos. I was drawn to him because he was black and Cuban, a remnant of the old world which Columbus had discovered.

We drank daiquirris and dark rum on ice into the early hours of the morning. Carlos said he found himself at home here because of the music and the gypsies. Cadiz has its own kind of flamenco which is quite distinct from the rest of Andalucia. They are songs of going and returning: over the centuries since Columbus, rhythms and melodies have been traded between Cadiz and Latin America and the resulting fusion has people dancing in the streets.

Beyond the music, however, Carlos felt no enthusiasm for either Columbus or his legacy. "The 'discoverers' were conquerors who destroyed cultures that already existed. And what did they bring back to Europe? Gold, parrots and slaves."

* * *

Oh, dear me, I mused the next morning as I set off into the wilds of Andalucia, nursing an appalling hangover. Consoling myself with the thought that Columbus had in his own lifetime failed rather more times than he had triumphed, I retraced my steps, back through Seville and on towards the province of Huelva, where the great voyage had been conceived and delivered.

The road defined and shaped Andalucia at its most unspoilt: neat, bright villages where old men sat in doorways and storks perched on church towers. Beyond came the fields of squat vines and of sunflower, pock-marking the landscape like a giant honeycomb. Columbus always remembered May, but he had left for the New World in August when Andalucia is like a desert.

His point of departure was Palos. This one-time fishing village is today a small agricultural town surrounded not by water but by intensely cultivated fields of strawberries. The old landing where Columbus' three ships were moored is today a wooden wreck. Across the estuary, the factories of Huelva pump putrid smoke into the sky, but Palos itself has miraculously retained an air of tranquility: an agrarian outpost in the midst of Andalucia's satanic mills.

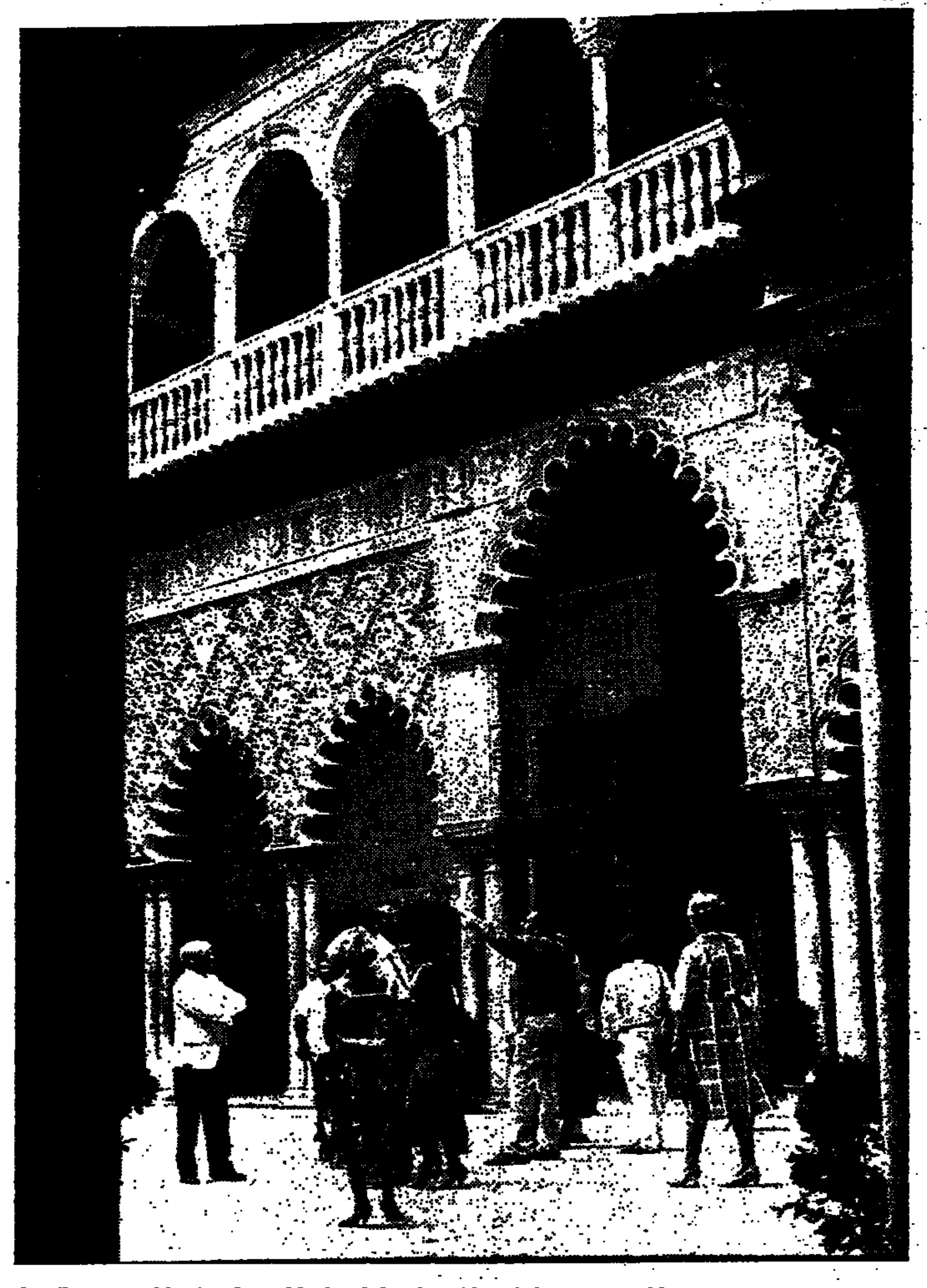
The nearby monastery of La Rabida is where Columbus discussed astronomy, cosmography and God with a group of patient Franciscans, convincing them of the spiritual usefulness of his enterprise. It was from there that at dawn on August 3 1492 he set off on his transatlantic travels after gaining the blessing of the Catholic monarchs.

La Rabida has been accurately restored after suffering extensive earthquake damage in the 18th century. It is gracefully shielded from the industrial holocaust by a forest of pine trees and an abundant garden of tropical and local plants.

The prior, Father Luis, was there to accompany me and a Spanish family on a lightening tour of the monastery's interior. "Nothing is left from those days," he confessed, "but at least we have the certainty that he was here."

We wandered through sparsely-furnished rooms and an impressive cloister before entering a chapel where one of the members of Columbus' first crew lay buried beneath a 14th century wooden cross. The Christ figure looked strained, tortured even, just as Columbus, a Jew, would have seen Him in the year of the Inquisition before escaping on his historic voyage of discovery and conversion.

■ Jimmy Burns *flew to Seville by Iberia and stayed at the Hotel Colon in Seville, and Paradores in Cadiz and Mazagon where rooms begin at around £37 a night.*



Seville: an architectural symbiosis of the the old and the new worlds

The other side of Majorca

Angela Wigglesworth finds a dream villa far removed from the bustle of the beaches

IT WAS the kind of villa one dreams about on long winter evenings: creamy vine-covered walls, spacious rooms and a well-equipped kitchen with fruit, fresh bread and two bottles of wine on the table for our arrival, cooked chickens, cheese and butter in the refrigerator.

In the garden, lemon trees, red hibiscus bushes and stubby palmettos grew in the grass around the swimming pool – all of it to be found up a country lane in north Majorca where fennel grew wild on the verge and pigs munched in the orchards.

There is another Majorca far removed from the crowded high-rise hotels of the south, and if you head north from Palma you soon find it: unspoilt villages, monasteries, deep forests and roads that hair-pin through high rocky mountains with stunning views of the sea below. You can walk for miles, as we did, and see no-one.

Our villa lay between the ancient town of Pollensa and the more modern Puerto Pollensa, at the foot of the Sierra de San Vicente mountains. Pollensa, named by the Romans, is a maze of narrow streets that lie between tall, shuttered, gold-brown stone houses; 365 cypress-lined steps lead up to the famous Calvari, one or two restaurants and shops clustering at the bottom but grass growing through the floors of abandoned houses higher up.

At the top is an 18th century chapel. Our reward for getting there is a panoramic view of the town, twisting olive trees on the wide plain beyond and, in the distance, the Puig de Maria with its 14th century hill-top monastery.

We walked to this monastery one hot morning, along a lane shaded by almond trees, carob and rampent prickly pear. I learnt the hard way not to pick up these pears without protective gloves. You can drive part of the way to the top but the final stretch has to be done on foot. Just as you think you are never going to arrive, you round a corner and there it is: the Ermita de la Mare de Deu, an ancient church, candles burning at the altar and only a buzzing fly to break the silence.

In the adjoining Sanctuary we bought a hunch of cheese and tomatoes and bread spread with olive oil and ate it on a shady stone seat surrounded by an ever-increasing number of cats and dogs. You can stay the night here in a large and fairly spartan cell for £2.50 for two.

Another day we walked through the wooded Ternelles Valley to the ruins of a 13th century Moorish fortress, El Castell del Rei. (Check first with the tourist information centre in Pollensa that the path is open). It is a lovely walk, around two hours each way, much of the early part along a shady mule path through woods of Spanish chestnut. At first sight the fortress, perched on a precipice, looks like a pile of rocks, but as you get closer you can see how magnificent it must once have been. In fact, the grandeur lingers on and we found ourselves inexplicably whispering.

We drove to Formentor, where the splendidly situated five-star Hotel Formentor overlooks the bay. It has unforgettably beautiful gardens. At the Monastery of Lluch, 25 km from Pollensa, a road-sweeper hummed Beethoven as he swept up the leaves; but the monastery itself, with its sombre chapel, was disappointing.

The town of Soller, however, was a delight, and from here you can take an Edwardian tram on a single-gauge tramway to Puerto Soller 5 km away, rattling through fields of sweetcorn and orchards of apricots. Just south of Soller is Valldemossa and the Carthusian monastery where Chopin and George Sand spent a bleak winter in 1838. A fresh rose is placed daily on his piano and you can read in his letters of his frustration with the local doctors. "One says I'm not well, another that I'm going to get better," he writes.

Tourists discovered the charm of Puerto Pollensa about 20 years ago and it is now a small, relaxed resort with a weekly market and dancing in the square on Sundays. Restaurants and cafés spill out on to the pedestrianised road by the sea, and the sandy beaches were uncrowded even in the last week of August.

We spent a week there at the Hotel Sis Pins, which must be one of the nicest hotels in town: it has its own beach; you can breakfast under the pines. They do not serve evening meals but so many nearby restaurants do that the only problem is choice. We particularly liked Becfi (almost next door), and Vora Mar and La Cavina in neighbouring Cala San Vicente. Memorable dishes included excellent paellas, lamb with rosemary and honey, swordfish, rabbit stuffed with aubergines, and Ensaimadas, those light, sweet, Majorcan buns.

■ *Information: We rented the villa from Meon Villa Holidays of Meon House, Petersfield, Hampshire, GU32 3JN. Prices include villa, flight, maid service, car with unlimited mileage, and cancellation and delay insurance, from £411 for two weeks. The Hotel Sis Pins, Puerto Pollensa, Majorca, costs from £7 per person per night.*

TRAVEL BUSINESS

TOUR operators are this weekend congratulating themselves that their summer package holiday strategy looks to have worked out as planned.

Faced earlier this year with a big fall in holiday bookings, operators decided to cut capacity rather than engaging in the sort of last-minute price-war of previous years which cut profit margins to the bone and irritated many consumers.

Figures from the Civil Aviation Authority, which monitors charter holiday traffic, show that the biggest 30 package holiday companies between them last year made an aggregate net loss of £76,000 on turnover of slightly more than £3bn.

The 20 per cent reduction in charter air capacity initiated earlier this year has matched almost exactly the eventual overall fall in demand from holidaymakers, hit by high interest rates.

Holidaymakers who have left booking to the last minute are finding that not only are discounts not generally available, but also that choice is limited. Lunn Poly, the largest travel agency chain, says that average prices have held up strongly at about £350 per person for two weeks in the Mediterranean, and that travellers cannot expect the very cheap late prices of recent years.

Small, specialist tour operators are particularly short of late availability. "Apart from the odd pocket of availability, our members say there is little left until late August or September," says the Association of Independent Tour Operators.

Packages are still available, however, even to Greece, this summer's favourite Mediterranean destination. Horizon has two weeks to Rhodes available from next week at £399 per person. But Spain is still seen by agents as the best destination for late availability, since it has suffered most from the down-turn in demand. The recent sunny weather has also prompted a surge in late bookings at British resorts — Wales in particular.

David Churchill

BOOKS

Have paperbacks, will travel

Michael Thompson-Noel makes a dash for the airport bookstands

Your holiday looms. You are on your way to Naxos, or to some Black Sea resort. You dash into Heathrow or Gatwick and discover that, miracle of all miracles, your flight is leaving on time. Your wife is downing large gins and your regrettable offspring are carrying enough hi-fi gear to throw the airport security staff into a tizzy.

You start to panic: you have *forgotten* to buy any books. You hurtle into the bookshop. The staff are spotty and juvenile: you will get no help from them. But there is a display of Top Ten paperbacks. There must be something there. Most are obviously thrillers, with loud fluorescent covers. One or two are about sex. Which ones should you grab?

So as to save you money, let us start with the duds. Unless you are a fan – in which case you need extremely expensive therapy – at least six of the current Top Ten (source: WH Smith) should be avoided if humanly possible. "Beneath the unforgiving, blazing heat of the African sun," says the jacket of one, "two men and one woman embark on a savage hunt" destined to sweep them "from the great hunting grounds of Zimbabwe to the killing fields of Mozambique." Right first time: Wilbur Smith with *A Time To Die* (Pan, £4.99). Smith is a storyteller, alright: you don't publish 21 chartbusting thrillers if you can't string a story together, but I find him stodgy and banal. Also ham-fisted with sex. *A Time To Die* contains one of the whimpiest, least tumescent sex scenes I have ever read.

Another to avoid is *Trevayne* (Grafton, £4.50), by Robert Ludlum, first published 17 years ago under a pseudonym. Like most of Ludlum's books, this is a formula thriller: self-made millionaire Andrew Trevayne grapples with the Washington establishment so that soon, everyone is gunning for him. Ludlum can organise a plot-line, but the writing is as soggy as a cardboard forest.

Dud No 3: *The Negotiator*, by poor old Frederick Forsyth (Corgi, £4.99). "The kidnapping of a young man on a country road in Oxfordshire is but the first brutal step in a ruthless plan to force the President of the United States out of office. If it succeeds, he will be pyschologically and emotionally destroyed." If I had to read books like this for a living, I would be sick on the carpet.

Dud No 4: *Clear and Present Danger*, by Tom Clancy (Fontana, £4.99). In this one, Colombian drug lords – yawn, yawn – tired of being harassed by US law enforcement agents – yawn, yawn – have assassinated the American ambassador and the visiting head of the FBI – yawn, yawn. Clancy, author of *The Hunt for Red October* and *Red Storm Rising*, is rated king of the techno-thrillers, but I find them impenetrable.

Dud No 5: *Old Sins*, by Penny Vincenzi (Rowan, £4.99). This is not a thriller, but the tale of two clever, stylish and ambitious women, etc, etc, fighting for control of a cosmetics empire. The publisher says it is a love story: "Poignant, sexy, tempestuous, spanning 30 years..." *The Guardian* rather liked it. "Make no mistake," it said, "this is contemporary writing." I am starting to worry about *The Guardian*. At 985 pages, I found *Old Sins* absurdly overblown.

And so is Dud No 6: *Star*, by Danielle Steel (Sphere, £3.99), the tale of Crystal Wyatt. "Neither rape, nor murder, nor the darkest scandals could keep her star from rising – even as it leads her away from the man she loves." Danielle Steel is described as a "descendant of the Löwenbräu beer barons. Her mother is Portuguese and her father is German. Their common language is French, although they all speak eight languages." There are another 24 Danielle Steel titles in paperback, leading me to wonder whether the author is an international committee.

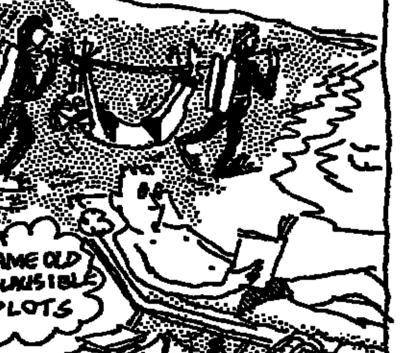
Not all the Top Ten paperbacks at Heathrow and Gatwick are duds. The obvious one to grab is John le Carré's *The Russia House* (Coronet, £4.50), set in the third summer of *perestroika*, in which Barley Blair, dishevelled jazz-loving London publisher, falls in love with a woman called Katya after being sent a manuscript from Moscow that contains information of enormous appeal to spies. This is le Carré somewhere near his best. As the FT's wise old reviewer put it: "The sheer detail and colour of it are magnificent. The *excitement* of what is happening today in the Soviet Union is never in doubt."

Equally, one is never in doubt with *Ambition*, Julie Burchill's sex'n'shopping romp through the tabloid jungle featuring nakedly ambitious deputy editor Susan Street and vicious magnate Tobias Pope (Corgi, £3.99). Wittily well done. Plenty of jokes. Bags of energy. Plus very rough sex, if you think you can handle it, though many would rate it pornographic.

Home Run, by Gerald Seymour (Fontana, £3.99), is another thriller, and not a bad one. Its background is the Middle East. Seymour write with panache. "A spy thriller of quality," in the view of Douglas Hurd.

I am not a fan of Jack Higgins, but *A Season In Hell* (Pan, £3.99), in which American socialite Sarah Talbot signs up ex-SAS sergeant Sean Egan to avenge the killing of her stepson, is better value than heftier thrillers like the Ludlum or Clancy.

Verdict: the le Carré, the Burchill, the Seymour and the Higgins are reasonable buys. Week in and week out, there are enough good reviewers reviewing enough good books to make your holiday selection easy and enjoyable, but it is madness to leave your buying until you reach Heathrow, Gatwick or Krasnoperekopsk.



The lion rampant who lost his way

EARLY ON the morning of July 22 1846, a widely known but improvident and debt-ridden British artist wrote the wife he adored a pathetic farewell letter. "God bless thee, dearest love," he concluded and, having begged her pardon for the final suffering that he was *now* about to cause her, first unsuccessfully attempted to shoot himself, then hideously cut his throat.

He had staged the scene with some care – Benjamin Robert Haydon had a naturally histrionic character, and behind him he placed not only a manuscript recording his "Last Thoughts" and one of his own huge unfinished canvases but an open copy of the New Testament and the closing volume of the diary he had kept since 1808.

These journals, now carefully re-edited and annotated by John Jolliffe, have had many previous readers and admirers; they remain one of the most dramatic and revealing self-portraits yet published in the English language, while at the same time they provide vivid impressions of the Romantic Age through which he lived. Among his associates were the young Keats, Wordsworth and William Hazlitt, and he was no less well-acquainted with many distinguished social and political figures of the early 19th century.

But his most absorbing subject was invariably himself, his hopes and fears and aspirations and, above all else, his unending disappointments. Mr Coutts, the kindly banker, had declined to grant him yet another loan. The Duke of Wellington had sternly refused to have his likeness painted. Now his creditors were hammering at the door and he might soon be carried off to the ignominy of a debtors' jail.

Not that Haydon was ever completely discouraged, at least until 1846 when his last remaining financial hopes miscarried. For he had a fund of energy, and once he had embarked on a scheme he became possessed by it. Then he often stuck to his easel "no less than 16 hours a day," and such was his passion for his work that it resembled "the lecherous fury of a lion rushing about the woods unable to find its mate . . . could my strength have lasted, I should have gone mad."

NEGLECTED GENIUS: THE DIARIES OF BENJAMIN ROBERT HAYDON 1808-46
edited by John Jolliffe
Hutchinson £19.99, 250 pages

Now and then, it is true, he indulged in less inhuman passions; and we read of his involvement with a "beautiful devil" to whom "everything in Nature proved to be a source of licentious gratification." But, "though my vices," he added, had caused him much pain, "yet they have also given me many a new idea."

From this turbulent confluence of ideas and emotions, however, the pictorial results that emerged were at times decidedly inferior; or so modern critics have decided. Today they are seldom shown in a modern art gallery. Even an ambitious picture called "The Mock Election," coloured by his memories of prison life, that, having pleased George IV, found its way into Buckingham Palace itself, is now hung in a modest chamber, the Equerries' Room, where it is rarely visible on state occasions.

No, Haydon, despite the present editor's subtitle, was unfortunately not a man of genius; and his diaries are the self-portrait of a supremely energetic man who believed that creative genius was his birthright, a conviction that he never quite lost.

He seems to have mistaken his path; oddly enough his most genuine talent was for writing. His diaries include some passages of splendid descriptive prose, for example his magnificent picture of a coronation in Westminster Abbey where, on the sovereign's arrival, he heard the concourse of grandees rise to their feet with the sound of "silken thunder." Vivid, too, are his glimpses of famous literary and historical personages – Wellington, Melbourne, Wordsworth, Hazlitt, Shelley, the last seen as a pallid vegetarian declaiming at the top of his voice during a dinner party against what he called "the *detestable Christian faith*."

Later writers have appreciated Haydon's mastery of words. Aldous Huxley, for example, declared that "never was anyone more clearly cut out to be an author." And the first Lord Asquith compared him favourably with Rousseau. I hope that this book will now achieve the popularity it deserves. Haydon's story of his own misfortunes may here and there be repetitious, and his self-esteem is occasionally hard to bear; but he deserves an honoured place in the history of English introspective literature. Haydon was a man whom, once we have made his acquaintance as a character – like Pepys and Boswell and other stubbornly self-centred diarists – it proves almost impossible to forget.

Peter Quennell

Sympathetic or infuriated: whichever the response to Fry, Bell, Woolf and company, the Bloomsbury Group continues to fascinate. Gillian Naylor's compilation allows its members to explain themselves through more than 380 colour plates and accompanying writings. Conclusions are left to the reader, who can browse through the paintings, correspondence and criticism of the protagonists, artless or self-serving, always self-revealing, this 1958 self-portrait by Vanessa Bell among them.

***Bloomsbury: the artists, authors and designers by themselves* (Pyramid, £35, 328 pp.) is organised in seven parts, more or less chronological, with solid banks of plates between. The final brief set of retrospective judgements of Bloomsbury on itself is as fascinating as any. "The downfall of Bloomsbury," says Leonard Woolf, "was its intolerance of every one and every thing which was not amusing . . . one hesitated to say anything true or profound unless it was also amusing." "To others our narcissism must have been painfully evident," concludes Angelica Garnett.**

William Packer

Fiction in Translation

Standards of living

WE LIVE, as the song goes, in a material world. In 1960s Paris it's Chesterfield settees and Churches' shoes; in Russia it's fur hats; in East Berlin it's – well, anything from the West.

This is a rich week for foreign fiction. With two works set in Eastern Europe in the bad old days and one in Paris in *the* good old days, all are on the verge of becoming period pieces, but *Things*, first published in 1965, arrives with the gloss of a modern classic already encrusted on its pages.

Georges Perec's first novel is a masterpiece of elegiac mockery. Its subject is a young Parisian couple, Jerome and Sylvie, and the milieu in which they circulate in the early 1960s; its method Perec calls the *sociologie du quotidien*. We learn everything about Jerome and Sylvie – and they define themselves – by the minute details of their immediate habitat: their cramped apartment in the Rue de Quatrefages with its one red-curtained and one green-curtained window, the Provençal furniture and Van Heusen shirts they aspire to; the newspapers they read and the bars they frequent with their market research friends. It's the perfect capitalist fiction. Press your nose against the ill-lit window, make out the reddish glow of a leather sofa, the curve of a cane-seated chair; join the search for the elusive style item – never mind plot or character or conversation.

And yet. Below the surface, memory and longing, joy and frustration, are mixed in with the haphazard sets of crockery and the bad cooking at those first jubilant dinner parties. Then, imperceptibly, the age of rootless living gives way to the age of security as the early 20s give way to the nearly 30s. I know of no other novel that captures this subtle movement with such unfaltering conviction.

Perec's lucid, bitter-sweet denunciation of life as "a passion for a higher standard of living" is partnered by another moral tale, *A Man Asleep*, which deals with what happens if you choose to opt out. The nameless hero, addressed as "you," divests himself of material wealth, work, friends, in fact of any reason for living. What is left to him is to conquer his ennui by killing time; what is left for the reader is one long miserable howl. This is Perec's literary dazzle turned to theoretical seed; experimentation, clearly, can work both ways. But fans of *Life: A User's Manual* will enjoy tracing its origins in these two works.

Vladimir Voinovich writes in a more familiar vein. Russian satire mostly sneaks out from under Gogol's *Overcoat*, and none more delightfully than *The Fur Hat*, with its sly reworking of Gogol's chief prop into a waspish burlesque on petty officialdom.

Yefim Rakhlin writes adventure stories about fearless and decent people, has a reasonable readership – *Avalanche*, *Oiler* and the rest even get to be crossword clues in *Pravda* – and has fantasies about being as good as Chekhov. But the Writers' Union doesn't agree, and when it announces the Awarding of Hats – reindeer fawn for the foremost writers, muskrat for the leading, marmot for the outstanding – Yefim emerges with an order for tomcat, domestic, fluffy. Jewish, with an overbearing wife who calls him Baldy – no wonder he wants a hat – Yefim is a kind of Russian Woody Allen: one of life's losers whose vulnerability and attraction are that he wants so desperately to be loved and respected.

Of course his problem is not the hat but the head that wears it, and the showpiece of this hugely funny, hugely sad book is Yefim's descent into an obsession the worse because he *knows* it is ridiculous, and yet cannot help himself. He makes you laugh as he makes you cry; he makes you ache for a more generous world; he makes you wonder at the vagaries of fortune – or is it the Russian bureaucracy? – which keep this novel churning and twisting like a rollercoaster out of control.

THINGS: A STORY OF THE SIXTIES and A MAN ASLEEP
by Georges Perec
Collins Harvill £12.95, 221 pages

THE FUR HAT
by Vladimir Voinovich
Cape £11.95, 122 pages

THE DISTANT LOVER
by Christoph Hein
Picador £11.95, 179 pages

Tower blocks so uniform that they resemble a troop of advancing dominoes; slipshod goods in the shops; poverty; professional cynicism: Christoph Hein's props efficiently confirm all our prejudices about Eastern Europe. Nonetheless, *The Distant Lover* is more a study of emotional isolation than a political novel.

Claudia is a successful doctor who carries the surgical light of rationalism on into the heart of her personal life. She moves among her family, friends, colleagues in the East Berlin hospital, like a disinfected spirit; ruthlessly courteous, jealously guarding the unruffled tedium of her days. Will Henry, the "distant" lover in the apartment upstairs, be able to melt the icy facade? Hein, in noiseless, fastidious prose that is as chilling as his heroine, keeps you guessing to the last. An unusual, absorbing achievement.

Jackie Wullschlager

Inroads East

LEWIS CARROLL was always a much better guide to understanding the topsy-turvy nature of the Soviet Empire than Karl Marx. But now that the walls and barriers dividing east and west have fallen away with astonishing speed it helps to have as a guide someone familiar with the old ways, who knew today's presidents, foreign ministers and free marketeers when they were stokers, nightwatchmen and prisoners.

Such a guide is now to hand for those curious to learn more about the historical roots, ethnic diversity and cultural complexity of the nations and peoples of Eastern and Central Europe now blinking in the unaccustomed light.

William Echikson travelled widely throughout the region as correspondent for the *Christian Science Monitor* and *Wall Street Journal*. His book draws heavily on those years, to flesh out, with first hand reporting, the personalities and underlying forces liberated by the collapse of the Soviet will to dominate countries "freed" by the Red Army 45 years ago.

The darkness which has lifted from the ancient lands of East and Central Europe is not just the liberation from foreign occupation. Thousands of Soviet troops and tanks are indeed still physically there, awaiting repatriation. What has been lifted is the climate of lies, the schizophrenia, the suppression of truth, the horror of Orwellian thought control, the triumph of mediocrity, in short the nightmare of a totalitarian system.

The appalling legacy of crippled lives, bankrupt economies, polluted environments, remains to be painfully repaired. But it is difficult, on reading this book, not to feel admiration for those who kept their humanity, their dignity and their faith intact in the face of enormous pressure to conform. Some of the most determined dissidents, like Czechoslovakia's Vaclav Havel, have been rewarded by high office. They bring with them a moral capital which will be sorely needed in the difficult times ahead.

Typically, Echikson writes, one of Havel's first acts as President was to apologise to the Sudeten Germans who were expelled after 1945. The Sudetens' willingness to act as a German Trojan Horse in 1938 led to the occupation of the whole country.

But as philosopher Jan Patocka, one of the founder members of the Charter 77 civil rights movement and a Havel adviser, argued, the post-war expulsions represented "the first act of totalitarianism in the country." By endorsing collective guilt the enforced exodus broke with the humanist principle on which the first Czechoslovak republic was founded and "morally disarmed the country."

LIGHTING THE NIGHT
by William Echikson
Sidgwick & Jackson £16.95, 295 pages

This is one of many examples of the way peoples and nations were corrupted, cajoled as well as forced, into accepting the communist model.

But with the rise of Solidarity in Poland in 1980 the lonely, inner resistance of individuals was flanked by the first successful mass defiance. The construction of alternative structures to the totalitarian model began in earnest.

The Soviet leadership always knew that the Poles, with their historical contempt for Russian backwardness, their catholic piety and national pride, would be the most difficult nation to keep within the Soviet fold. Communist power simply collapsed after the first real elections.

It was the first domino. The rest is history. The details are all in this excellent panoramic sweep through the other half of Europe.

Anthony Robinson

Slavery seen through wiser eyes

The publication of *Time on the Cross* in 1974 was greeted with a chorus of disapproval from professional historians and many black activists. The new quantitative methodology, cliometrics, was denounced as sterile and dehumanising; the authors' data and statistical methods were questioned by economic historians. Professors Fogel and Engerman were attacked for their portrait of the white slave owners in the anti-bellum South as careful, if not caring, masters and for failing to do justice to the misery, endurance and resistance, of the slave population.

Fifteen years later, with the publication of *Without Consent or Contract* and a reissue of the earlier book, one suddenly realises how much of what seemed shocking and inadmissible has entered the contemporary canon of American writing. Few would now dispute the original arguments put forward by Fogel and Engerman that, on the eve of the conflict, the slave economy was profitable and likely to endure, or that the American South was experiencing a major boom and a period of rapid growth.

The older view, that slavery in the South would have died a natural death without war, had already been discounted, but few historians were ready to accept the still-debated proposition that slave farming organised along assembly-line principles was more efficient than free farming and that slaves, whether field hands or in technical and supervisory positions, were more productive than free labour.

These provocative conclusions, defended and expanded with a mass of new data, are presented in an accessible, non-technical and readable form for the generalist in the first half of *Without Consent or Contract*; the more numerate reader can consult the three companion volumes with their many statistical tables and detailed explanations of the increasingly sophisticated quantitative techniques used. The new evidence addresses old questions and raises new ones. Further light is cast on the development of the northern as well as the southern economy and on the comparative efficiency of slave and free labour, in factories and on the land. The outlines of Fogel's original conception are preserved but the canvas is broader and the story richer.

Equally contentious were the original Fogel-Engerman arguments that adult slaves were generally well-fed, clothed and housed and were able to develop much stronger family ties with a more distinct culture than either the abolitionists of the day or subsequent generations of historians have believed. The new cliometric evidence on diet, health and demography strengthens Professor Fogel's case, especially when placed within a comparative framework that includes *Caribbean and South American* slave societies as well as the American South.

The higher fertility rates of American slavery and the longer life expectancy of adult American slaves seem undoubtedly attributable to better treatment by southern slave owners. The cliometricians claim that American fertility rates were high not because masters manipulated the sex lives of their slaves but because they housed them in family cabins rather than barracks. The material in these pages is ripe for further debate and controversy. This time, I think, scholarly opinion will move in Professor Fogel's direction.

Without Consent or Contract is a defence and elaboration of Professor Fogel's earlier work, less strident in tone and with a more nuanced approach to the evidence being collected during this on-going project. The final verdict on his revolutionary contribution to our understanding of the anti-bellum South will depend on the accuracy of the cliometric data and the techniques used for its processing and analysis.

WITHOUT CONSENT OR CONTRACT
by Robert William Fogel
W W Norton £17.95, 539 pages

TIME ON THE CROSS
by Robert William Fogel and Stanley L Engerman
W W Norton £11.95, 306 pp.

The second half of Fogel's book is differently focused and represents a retreat from his *previously* exclusive preoccupation with economic issues. In this respect, Fogel has listened to his critics, rethought his premises and come to new conclusions. It is rare for embattled historians so to change course. Professional courage is not high in our trade.

In his new attempt to centre the economic arguments within the wider political and ideological framework, Fogel focuses on the rise of the abolitionist movement in Britain and the United States. He traces the process by which the anti slavery views of a small group of religious fanatics, whose ideas were rejected by their own churches, evolved into a powerful political force embodied in a barely cohesive political party whose candidate, Abraham Lincoln, captured the presidency.

It is Fogel's contention that the politicisation of the abolitionist cause took place in the mid-1850s when the religious *arguments against slavery* were broadened and secularised. The divisions between North and South were now portrayed as a struggle of free men and free labour against the political and economic conspiracies of a Slave Power intent on colonising the new territories with slaves. The religious arguments were not abandoned but overshadowed as the politicians took command.

There is much here that is familiar but there are also arguments that will provoke dissent on both sides of the Atlantic. Fogel's treatment of the roots of political reform in Britain in 1832 illustrates the problems of the comparative approach, however much is gained from looking at the English religious sources of the anti-slavery movement. In his description of the transition of American abolitionism from "Christian duty" to the "pocket book," he ascribes a hitherto ignored critical role to the hidden depression of the 1850s and the consequent rise of an artisan nativism that destroyed the old party system.

In what seems to me a sad, because necessary, "Afterword," Professor Fogel answers charges that his description of the slave economy is amoral. It says much about the present climate of opinion in the US that he should have to underline the distinction between describing the slave system as efficient and judging its morality. It is even more worrying that he should feel that the most serious deficiency in *Time on the Cross* was its failure to provide a new moral indictment of slavery consistent with his empirical findings. Should historians have to defend themselves at this level of argument? Fortunately for the reader, Fogel's concerns have proved productive and have led to this innovative reconsideration of abolitionism, Professor Fogel has grown older and wiser. One should not complain.

Zara Steiner

A wing and a prayer

Tony Andrews

Neil MacGregor(left) and Lord Rothschild on home ground

Patricia Morison previews the new wing of the National Gallery

THE NATIONAL Gallery's Sainsbury Wing is almost complete. Like some Eastern bride, it is being slowly and lovingly arrayed for a spring unveiling. When the long-anticipated day will be, Neil MacGregor, the National Gallery's director, is not saying. But he promises that we can anticipate entering as proud owners into "the most beautiful of all postwar museum spaces."

For MacGregor and Lord Rothschild, chairman of the trustees, there is a lot to think about, and not just the new wing, the total rehang of the collection, and a continuing renovation programme for dreadfully shabby rooms. Britain's public collections sail on choppy waters. Many are leaking badly. If you survey the Gallery's boarded-up vestibule and a front hall where the languid youth of many nations lies flaked out among the postcards, you might think the same was true of the Trafalgar Square flagship. But no, the mood in the director's study is buoyant and, looking towards Whitehall, a touch defiant.

Although many of the galleries look unappealing, such is the state of summer sweatiness and disarray, MacGregor urges that the public keep faith ahead of good things coming its way next spring. "The hang will be much better," he promises. Sensibly, the details of the rehang are being kept secret, but the broad principle is a walk down the centuries. The Sainsbury Wing will house pre-1500 works, the old building post-1500; how to straddle the "vital hinge" is a matter for secret debate. National schools formerly kept at a distance are now to become close bedfellows. And if you want to partake of one current curatorial debate, stroll through the early Italian rooms and judge for yourself whether paler or warmer greys look best.

The look of the thing will attract the most comment, no doubt bringing brickbats tumbling around MacGregor's ears. However, he and Lord Rothschild stress less eye-catching improvements which fit the aim of "increased public access." There will be larger lecture-rooms, an improved shop and restaurant, and touch-screen computer access to information about the paintings. "The new wing will bring in a huge extra number of people," predicts MacGregor, a thought not everyone will relish.

How does a place like the National Gallery prove it is doing its job, and what are the "performance indicators"? This is the question being asked at the Government's behest by management consultants from Coopers and Lybrand, commissioned to produce a study of the National Gallery, the Science Museum and the troubled Natural History Museum.

MacGregor is bemused by the notion. In his eyes, the performance indicators are that last year the National Gallery drew 3.35m visitors, two new catalogues of the collection were produced, and that his six curators and conservators prefer their "absurdly low" UK salaries to plums dangling across the Atlantic.

Four years into his directorship, MacGregor's philosophy is that a great gallery should be able to raise a packet from sponsors, attract new visitors from every type of background, yet not stoop to "vulgar gimmickry." The unexpected success of recent "extremely specialist and scholarly" exhibitions has reassured him that between the scholar-aesthete and the fabled person on the Clapham omnibus, the gap is not so wide. Two "Art in the Making" shows, on Rembrandt and last year on "Italian painting before 1400," did well. The minutiae of mordant gilding and what Duccio's Virgin wears under her blue robe brought in 150,000 people and allowed the Gallery's conservators to take a bow. In its all too brief month, the enthralling exhibition of Goya's *Majas* attracted 217,000 people and yet, MacGregor points out, its genesis was an article in the erudite pages of *The Burlington Magazine*.

What about the spectre of admission charges? "Our pictures [over 2,000] belong to the public, who we see as owners, not as clients," says MacGregor. He points out that men like the aristocratic Prime Minister Lord Liverpool, anchored their support for the gallery's creation in 1823 on the principle of free access for all, rich and poor. "It was stuffy Lord Liverpool who insisted children be allowed in, on the principle that where the child goes, so will the parent."

Comments about the effluvia of unwashed members of the public with their sandwiches did not deter the Government from its support for free access for all. However, temporary exhibitions, which will be more frequent after the Sainsbury Wing opens, are not going to be free. Visitors will have to pay for what Lord Rothschild hails as "the exhibition of the decade, and perhaps the most important Old Master show of our lifetimes," the massive Rembrandt show announced for 1992.

A survey of National Gallery visitors taken at Easter showed that over 50 per cent of them stayed for less than half an hour. MacGregor is delighted that the average visitor simply drops in for a quick fix of an Old Master and then, the survey shows, comes back for more. "In the Louvre, it takes you half an hour just to get from the door to where you want to be. The National Gallery is the perfect size."

Perfect size and, in principle, perfect location, for the Victorian founders insisted the gallery had to be at London's hub, even though it was surrounded by brothels, workhouses, and the chimneys of public washhouses. "It gave us the dirtiest pictures in the world," comments MacGregor who is less tolerant of the appearance of Trafalgar Square in 1990. Tourist double-decker buses parked outside the gallery abolish the view across the square, and the pavement is cracked and strewn with fast-food detritus. (Before the Sainsbury Wing opens, why should the strip of trampled turf not be fenced off, or preferably paved over to spare visitors a prospect of festering baked potato boxes?)

MacGregor has had a fabulously lucky six months for finding new paintings for his redecorated walls. In May, the news was announced that the dazzling Berggruen collection of 72 superb Impressionist and post-Impressionist masterpieces, will be put on loan for five years. The Kenneth and Helen Levy bequest has bought the gallery five good Impressionists and the Acceptance-in-lieu scheme has added a Cézanne and 17th century view of Amsterdam by Jan van der Heyden. Purchases look modest, a Carlo Dolci and an attractive Biedermeier cityscape by Eduard Gaertener.

In contrast, Jacques Lang, the French Minister for Culture, recently announced the purchase of *Les Cousines*, by Watteau, for the Louvre, costing Ffr 30m (£3m). MacGregor can only sigh, with an annual purchase grant frozen at £2.75m. When the National Gallery does buy boldly, the consequences are grave. Last year, the cost of the wonderful *River Landscape*, by Cuyp, ate up three years of purchase grant. "We had more buying power 10 years ago. Take one example. This country is weak on German painting and we ought to have got the two Cranach portraits sold last week at Christie's for a hammer price of £38m."

Another wound for which MacGregor blames Whitehall is the inadequacy of a grant-in-aid of £5m. In April 1988, the National Gallery took over running its own building in place of the execrated Property Services Agency. With "cachet" in the right circles, the gallery has been able to mount a hugely successful fund raising drive. Lord Rothschild is quietly triumphant. "I understand that we have raised more money than all the other London museums put together - without disrupting staff or turning galleries into party venues."

As the pool shrinks, the hunt for sponsors requires charm and stamina, although Rothschild-MacGregor is proving a remarkably attractive duo. Annual running costs for the gallery are £15m. The building programme will cost £12m this year, and yet the Government's contribution is only £5m. Privileged though his position is, MacGregor is conscious of the shared difficulty. "All museums and galleries know the money needed for buildings should be doubled, and then kept up to fund the kind of 10-year building programmes we all need." The National Gallery is run on a shoe-string. There are only 330 staff, three-quarters of them warders, and the cost to the taxpayer per visitor has stayed at £1.56. Lord Rothschild is surely right to claim that "the Government gets an unbelievably good deal" from its premier art collection. In the National Gallery's first catalogue of 1824, the essayist, William Hazlitt, wrote that free admission to such a collection was "a cure for low-thoughted cares and uneasy passions."

Not perhaps a "performance indicator," but Hazlitt had seized on the indefinable and unquantifiable, beyond the reach of management consultants' surveys. The opening of the Sainsbury Wing will be the moment for the Government to ask whether we are not getting our National Gallery too much on the cheap.

Mellor moves in

Antony Thorncroft talks to the new Arts Minister

"I made it a condition when I visited Czechoslovakia that I should be allowed to go to Brno and look through Janáček's musical manuscripts."

THIS IS an unusual line from any Government Minister but coming from the Minister for the Arts it is mind-boggling. Only three days into his new job and David Mellor is creating waves of gale force 10.

His predecessor, Richard Luce, made a very different impact when he walked into the Office of Arts and Libraries five years ago. He admitted diffidently that he really knew very little about the arts. He left the office on Tuesday with the staff moist-eyed and the arts world united in its appreciation of a successful stewardship. He still might not know that much about the arts but he listened, learned, protected (and managed to improve) the financial base of the arts against Treasury philistinism, and pushed through structural reforms of considerable imagination. He could have stayed on, but his stint, the longest in the history of the post, was becoming stale.

David Mellor is a very different character. He is a young, 41-year-old politician on the move. He has been a Minister for nine years and sees the arts as a modest promotion. It enables him to run a Ministry, and one with a profile much greater than its budget. But he has a problem. There is not much for him to do – at least in the relatively short period before the General Election which, win or lose, is likely to mark his departure from the post.

For a man who enjoys ticking off his reforms – he was behind legislation on drug abuse, on animal experimentation, and is currently pushing through Parliament a more liberal Broadcasting Bill than was first mooted – the arts offer few obvious campaign medals.

There is the constant wrangling about money, and his first task will be to go into battle with the Treasury to squeeze more subsidy for the arts, not only because inflation has made the planned three three per cent annual increases ludicrous, but because years of relative underfunding have left two flagship companies – the Royal Opera House and the RSC – with joint debts of around £5m. Although he accepts the case for Government funding, and will fight his corner hard, reputations are not won in this area – only lost.

In terms of the structure of the arts Richard Luce got in first with his scheme for letting regional arts boards spoon out the subsidy, leaving the Arts Council with a strategic, supervisory, role. The new chairman of the Council, Peter Palumbo, is as energetic as the Minister, and now has a secretary general, Anthony Everitt, who is enthusiastically committed to the policy. So the arts has three articulate, bustling, imaginative, supremos, in danger of falling over each other as they campaign around the country.

But Mellor does not hide the fact that he is top of the heap. He has no plans to be a cultural Czar but fully intends to let his opinions be known. He has a considerable knowledge of music, "all the composers from Mozart to Shostakovich down to the second and third divisions", and lectures to music societies. (He is vice president of his local one at Putney). He was involved, until this week's appointment, with the London Philharmonic Trust and knows intimately the financial problems of the LPO – which it mainly solves (up to 85 per cent of its income) through its own efforts in attracting large audiences and appealing to sponsors. He loves Glyndebourne but is a trenchant critic of some of its productions, rating this year's *Magic Flute* a disaster.

It will be a shock for the arts world to have a Minister who will enjoy spending the next six months penetrating every nook and cranny and then surfacing with strong opinions. He intends to make his mark, although the actual areas of innovation will await his return from an August holiday and immersion in the paper work.

It is unlikely, however, that he will seek to bring broadcasting within the remit of the Arts Minister – he is against anything that smells of a Ministry of Culture. A better candidate for his attention is the controversy over the export of works of art. This is notionally in the power of the Department of Trade and Industry and a recent Minister there, Nicholas Ridley, caused seizures in the heritage world by introducing changes which give rich individuals equal powers as museums in the fight to retain artistic treasures in the UK. Switching authority in this contentious area to the Arts would be a welcome safeguard.

The Prime Minister has obviously raised the status of the arts in the run up to the General Election. She has appointed a strong, clever, ambitious, opinionated and very active politician to ginger-up the field. Traditionally arts ministers with an interest in the subject – Lord Gowrie, Lord Fawlsey – got into spats with the arts establishment; more diplomatic men – Paul Channon, Richard Luce – seemed to achieve more. With David Mellor the opinionated, complacent, inward-looking part of the arts world has been presented with a dose of salts. The results will be lively; they could also be creative.

History, warts and all

WITH THE wisdom of hindsight, it is all too easy to recognise which artists were the greatest of their respective ages, and the history of art tends to involve leaping from one of these peaks to the next. A quite different history emerges if one focuses instead on the sequence of artists whom each generation most revered. It is a sobering thought for any pundit that G F Watts, "England's Michelangelo," was one of the most lionised painters of the 19th century.

This alternative tale, as told through the art academies of Europe, makes for rivetting viewing; and not simply because the casualties of history exercise the same kind of ghoulish compulsion as wreckage by the roadside. The Royal Academy of Arts in London has done that most uncomfortable thing and resuscitated the skeletons of its recent past – not without reservations from present Academicians.

For "The Edwardians and After: The Royal Academy 1900-1950," Lawrence Gowing descended into the bowels of Burlington House to sift through scores of grimy canvases and sculpture that constitute the Diploma Works given by artists on their election to the Academy. After a tour of the US, the selected works, conserved courtesy of sponsors IBM, now return home, and will be in the Fine Rooms until October 21.

What is immediately striking is the eclecticism of the gathering. The "dilemma of style," voiced the previous century, rages on. Defined "schools" are few, and some eccentricities of composition and subject – Stanley Spencer's dustbin, for one – defy classification.

In one corner of the Reynolds Room alone we find vestigial Pre-Raphaelitism in 1923, Dicksee's rose-tinted, titillating High Classicism, Art Nouveau in the form of Sir George Frampton's ivory and bronze bust of Keats's Lamia, and Wallace's finely detailed marble Egyptian necromancer. Half the exhibits on show have one foot in the 19th century. The other foot is across the Channel in France.

"Pauline Waiting," by Sir Herbert James Gunn

If any artist's work is overdue for reappraisal it is that of the sculptors (after the progression from Gilbert pastiche, that is). The vigour and quality of British sculpture between the wars was first highlighted in a remarkable exhibition at The Fine Art Society in 1986, and its catalogue essay by Benedict Read remains the most valuable introduction to the subject.

Benedict Read's father, Herbert, had been responsible for the near total eclipse of these luminaries by his zealous championing of Henry Moore and Barbara Hepworth (neither of whom became Academicians). Never before, perhaps, has the place of the Modern been so effectively usurped by the Avant Garde.

It is intriguing to find Gilbert Ledward's massive "Earth Rests; Reclining Figure" carved in Roman stone in 1930, and to remember that Moore was his studio assistant in the late 20s. Ledward, who produced one of the greatest of London's war memorials – for the Guards in St James's Park – was an advocate of direct carving, and for exploiting the particular quality of individual stones. As a whole, the most promising sculpture here is the most depressing. Any sculptor who was not part of the Read mafia was obliged to accept a fate of taking on the dreariest of Establishment commissions and in turn producing the dreariest of public statuary.

It would be far fetched to expect even the most entrenched conservative Academicians (and there were plenty) to fail to notice or welcome every single man of exceptional talent. (Women were refused admittance until 1928. As was pointed out at the time, who would take them in to dinner?) Masters may be thin on the ground here, and masterpieces still more so, but they exist nonetheless.

Leavening the interesting, the mediocre, the dreadful and the hootingly funny, are such gems as Sargent's ravishing and Henry Jamesian "Interior in Venice," and Orpen's icon of "Le Chef de l'Hotel Chatham, Paris," standing somewhere between Manet and Holbein's Henry VIII. Portraits fill the largest gallery, the most polished among the more compelling.

Sickert's "Santa Maria della Salute" is almost perversely modest for an artist who was to exercise so great an influence on British painting. The two Stanley Spencers only hint at his idiosyncratic greatness.

One surprise is that a portraitist of such consummate toadying as Sir Gerald Kelly should have enjoyed such a dissolute existence in Bohemian Paris, and been responsible, through Clive Bell, for Roger Fry's fateful introduction to Post Impressionism.

Diploma works reflect how the artist wished to be perceived and remembered – and how he or she wished the work to be framed. In contrast to Victorian Academic painting, canvases tend to be on a far smaller scale. That, it transpires, is not so much to do with a desire for intimacy, or the decreasing size of the picture-buying public's houses. A letter from the Council to the Boston-born, Paris-trained Mark Fisher on his election in 1919 rejects the offered Diploma work, and asks for a smaller canvas. Space was tight in the Diploma Galleries.

This extraordinary show, more interesting than inspiring, illustrates that modern British Establishment art is not quite as fusty, or insular, as one might have supposed. Visitors to it may like to take in the current Summer Exhibition, now in its 222nd year, and make their own comparison with Academic painting today.

Susan Moore

Records

The flavour of the French

Erato's new Musifrance series – published with the collaboration of Radio France "pour la musique française" – is providing many of the highlights of the 1990 record year. The first release, containing rarities and necessary fillings-in of holes in the French-music catalogue, has already been touched on in the record-reviewing activities of this page: David Murray has taken pleasure in the Pierné and Roussel issues, and Ronald Crichton in the magnificent first complete recording of Gluck's *Iphigénie en Aulide* and the enticing recital of lesser-known operatic airs by Françoise Pollet.

Opera forms a substantial part of the Musifrance catalogue. I shall save mention of the new version of Meyerbeer's *Les Huguenots* to a future review: it is the most sizeable opera-offering of the collection, and merits fuller discussion. Meanwhile, a brief sampling of other goodies. *Le Roi d'Ys* is one of the most durable and exciting operas of the second rank – a late-ish (1888) Grand Opera large in scale but compressed in length and (except for a brief excursion into religiose hokum) dramatic skill, a Breton legend conceived in the manner of a Gallic *Lohengrin*.

This is not, in fact, its first full-length account on records (French EMI's of 1957, with Rita Gorr, Janine Micheau, and Henri Legay, is prized by all French opera-fanatics – when can we hope for its re-publication on CD?). But it is the only one currently available and, therefore, worth acquiring on the grounds that even a disappointingly sluggish *Roi d'Ys* is better than none at all.

Lalo: Le Roi d'Ys. Barbara Hendricks, Delores Ziegler, Eduardo Villa, Marcel Vanaud, Jean-Philippe Courtis etc./Radio France choirs and Phil. Orch./Armin Jordan. Erato Musifrance 2292-45015-2 (two CDs)

Campra: Tancrède. François Le Roux, Daphne Evangelatos, Catherine Dubosc, Colette Alliot-Lugaz, Pierre-Yves Le Maigat, Gregory Reinhart etc./The Sixteen, La Grande Ecurie/Jean-Claude Malgoire. Erato Musifrance 2292-45001-2 (two CDs)

Charpentier: music from Le Malade imaginaire. Isabelle Poulenard, Jill Feldman, Guillemette Laurens, Gilles Ragon, Michel Verschaeve etc./Les Musiciens du Louvre/Marc Minkowski. Erato Musifrance 2292-45002-2 (one CD)

Armin Jordan, who in recent years has conducted grandly glowing gramophone performances of *Ariane et Barbe-bleue* and Chausson's *Le Roi Arthus*, misses much of the score's Breton-accented distinctness of colour and rhythmic verve: a feeling of routine hangs heavy on page after page of score. And the singing is workaday – mediocre in smaller roles and in its choice of leading tenor, icing-sugary in its heroine (Hendricks), and only coming anywhere near "the real thing" in its mezzo-soprano villainess (Delores Ziegler).

Campra's *Tancrède* (1721) is, by contrast, a fully-fledged gramophone rarity, and a delight to discover. The composer forms the link between Lully and Rameau, as anyone who has sampled the *tragédies-lyriques* of either of those milestone masters will be able to recognise. There is a quality of *musikantisch* flow to his invention generally missing from Lully: simply memorable tunes, captivating rhythmic energy, declamation always saved from stiffness by unfailingly apt writing for voices (with here an unusual and, for the time, daring concentration on lower-range voices). And if the later genius's art of finding dramatic exhilaration in strokes of colour is never suggested, none of Rameau's stage-works manages the concise story-telling of *Tancrède*.

The performance was taken live at the 1986 Aix-en-Provence Festival (Campra is one of that city's most illustrious native sons), with only a few – perfectly tolerable – floor-thumps and bursts of applause to betray that fact. It is by no means the most polished of "authentic" excursions into 18th-century French opera, but at least three of its singers, Le Roux as the baritone hero, Daphne Evagelatos (a bit hooty at first, very moving later on) as the mezzo Clorinda, and the delicious Colette Alliot-Lugaz in three minor roles, show a proper elegance and poise of style, and the choral contributions of The Sixteen are excellently bright and pointed.

An even more individual musical "flavour" can be appreciated and enjoyed in the music (mythological prologue and three intermezzos) that Marc-Antoine Charpentier wrote for Molière's play (the playwright died after taking part in its fourth performance). This is, surprisingly, more remarkable in the prologue – whose requisite formulas of royal flattery ("Your desires are met, Louis is returned, He restores to this place gaiety and love") might tempt a lesser composer to tread water – than in the uproarious anti-medical satire of the third intermezzo.

Everywhere Charpentier's music has an infectious buoyancy and sparkle, a high-profile theatricality, well caught by Erato's period orchestra and fine collection of singers. But be warned: there are sizeable chunks of spoken text delivered in a variety of "funny voices" that could prove horribly unamusing with repetition. And Erato need to take a hard look at their standards of booklet editing. These three are riddled with misprints, inept translations, ill-considered layout; small chunks of the *Tancrède* text have gone missing.

Max Loppert

Roll up for the chainsaw circus

***Claire Armitstead** on the new wave under the Big Top – Cirque du Soleil and Archaos*

LIKE IT or loathe it, most people will find it hard this summer to ignore the fact that the circus has come to town. The Jubilee Garden on London's South Bank has already sprouted the 2,000-seat Big Top that houses Canada's contribution, Montreal's glamorous Cirque du Soleil, making its first visit to the UK from Tuesday to August 26.

A week later, France's fabled chainsaw circus, Archaos, rolls up in Edinburgh for its second consecutive festival. This is not the traditional circus of pretty routines on prettier ponies, but its *enfant terrible*, wired up and plugged in to a technological age that this year requires a crane and an eight-piece rock and roll band.

Archaos arrived in Britain this summer in a characteristic flurry of publicity, culminating in the Bristol City Council banning it from the city – a decision it is characteristically defying by hunting around for a private site on which to set up camp. Archaos proudly points out that it will take pride of place at the opening ceremony for next year's winter Olympics in France: a ministerial initiative which makes the good burgomasters of Bristol look pretty parochial.

So what, for those who do not know, is this New Age of the circus? Pierrot Pillot-Bidon, founder-manager of Archaos, who these days saves his stage appearances for an occasional finale, will assure you over his juggler's kit of Gitanes and whisky that his troupe is a direct descendant of the first modern circuses, actually founded on the South Bank in about 1769 by an English cavalry officer turned trick rider, one Sergeant Major Philip Astley. He discovered that the centrifugal forces of a ring 42ft in diameter could keep a man upright on the rump of a cantering horse.

The nature and shape of the Big Top was the direct result of that discovery, as, less directly, was Bidon's own mechanised menagerie. The motorcycle, he explains, is merely doing today what the horse did in the past. This therefore puts his crane into the elephant category. Real animals are out of favour these days, except for comically untrained domestic ones, or, in the case of Britain's own Ra-Ra Zoo, touring the country with the show *Fabulous Beasts*, giant puppets masquerading as the real thing.

What Bidon, Ra-Ra Zoo and Sgt Major Astley undoubtedly share is a command of spectacle, coupled with a willingness to push the boundaries of performance ever farther forward. Danger, comedy and illusion are used to make often satirical points about art, life and society. Circus Oz, an Australian troupe flown in by the London International Festival of Theatre (LIFT) three years ago, is a good example of this: it made a typically simple but effective joke about its national identity out of an upside down tightrope walker.

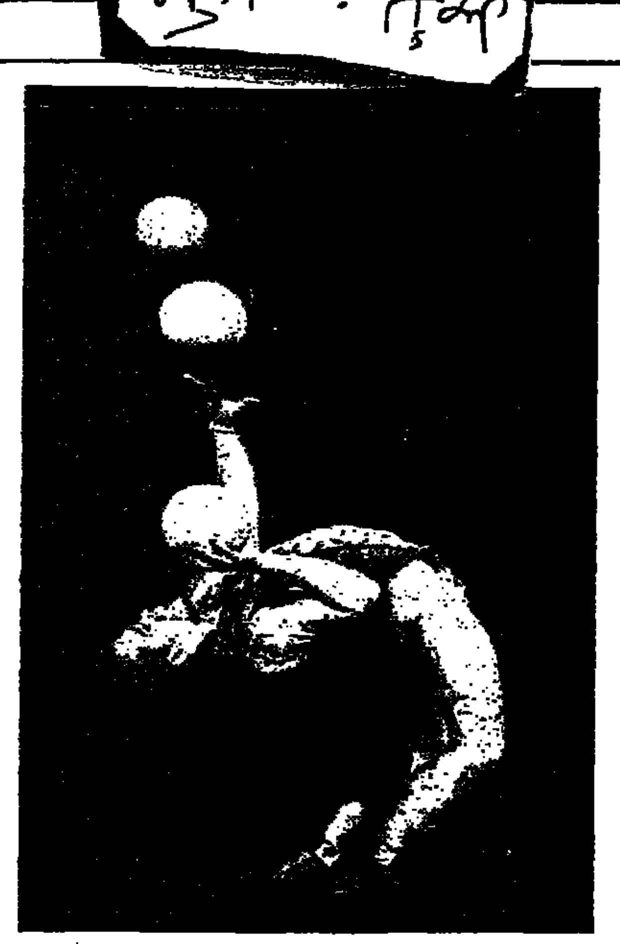
The inclusion of New Circus in a theatre festival programme makes an interesting point about its identity. No-one who saw Victoire Chaplin and Jean-Baptiste Thierrey's exquisitely whimsical Cirque Imaginaire could deny its theatricality, or its ability to establish and develop theatrical themes and images. (It honoured a conventional theatre, the Mermaid, with its last British visit.)

For Rose Fenton, co-founder of LIFT, the appeal of New Circus lies in its combination of daring, anarchy and spectacle with a certain poetic intensity and a firm root in popular culture. Film noir is a recurrent reference point, as is the excitement of the televised car chase or the cliff-hanger ending to an episode. "It plugs in immediately with youth and television culture: it's very fast-moving and doesn't demand a concentration span of more than a few minutes, because it's always moving on," she says.

As such, it ties in with developments in the theatre itself: the fierce post-industrialism of Barcelona's Fura Dels Baus, demolishers of warehouses and audiences alike, or the baroque imaginations of Royal de Luxe, seen this month at Avignon in a history of France involving a history book with eight-ton pop-up pages, winched over by crane, and a full-sized hot air balloon.

Fundamental to New Circus is the cultivation of ever more awe-inspiring skills – whether discovered, as many of Archaos' members are, on the trottoirs of Paris, or acquired through more conventional training. And although Archaos and the Cirque du Soleil vie furiously for the tag of biggest and best, the scale does not have to be grand – as is proved by Reg Bolton, one of England's own New Circus pundits, whose own brand comes suitcase-sized.

In general, however, Britain lags far behind Europe and the Americas, dragged down by the same forces that drove Bertram Mills out of the country years ago – lack of money and an absence of the sort of official recognition that founds and finances circus schools. Also there's the sort of prosaic response that made Bristol ban Archaos for being just a little too anarchic, despite its attempts to pre-empt its critics. In Europe, for instance, the crane was used to swing a performer around within feet of the audience: a thrilling finale which has been abandoned for its British performances (Glasgow next week, Edinburgh August 11 to September 2, London September 29 to November 11). Safety officers here will no doubt sleep more soundly, but how much less vivid will be their dreams?



A Cirque du Soleil juggler; right – Philippe Rey, the (toy) chainsaw juggler with Archaos

A king and his fool: Brian Cox (left) and David Bradley brave the elements

Exposed to its elements

WHAT A very un-English play *Lear* is. If the ditherings of an introspective prince with an assumed streak of eccentricity are right up the traditional British actor's street, a senile old man bellowing at the elements as he glimpses the abyss in a jungle-world is such a challenge that criticism perhaps inevitably falls back on assessment of the actor's physical prowess in the role.

Particularly in a production by Deborah Warner. The legacy of her early and much acclaimed work with the low-budget touring company Kick Theatre (where she directed her first Lear) is a vigorous full-frontal attack.

Her *Titus Andronicus* for the RSC two seasons ago underlined that blood and thunder's affinity with the greater tragedy. It would be glib to say that she has now turned *Lear* into a blood and thunder for the National Theatre (she hasn't); but the bang-bang style deprives at least one characterisation of all subtlety, as *Hakeem Hae-Kazeem* is forced to blurt out Edmund's railings at an undifferentiated level of angry ferocity that leaves little room for anything else.

Like the previous night's *Richard III*, also at the Lyttelton, the set (for *Lear*, Hildegard Bechtler) utilises space, perhaps with an eye to easy touring (both Lear and Richard have a world-wide journey for to go/The British Council funds them, they cannot say it no). The story is excitingly underpinned by onstage percussion, much of the dialogue underscored by the throb and roar of Dominic Muldowney's music. A solution to the scenic problem of the sheltering hovel is provided by turning on the house lights as the fugitives move downstairs, thus drawing the audience into the intimate circle. Ultimately, this is no more successful than the current Stratford strategy of a spinning cube portraying the contrast between the warmth of belonging and the alien darkness outside, a contrast that underlies the whole play.

A promising start has Lear apportioning his kingdom not at a formal court ceremony but at a small family celebration, whisked on in his wheelchair blowing a squeaker and surrounded by royals in paper hats. (The costumes span this century, with a medieval line to some of the women's dresses.)

The long, spoilt family group - themes of nature to be terribly flouted - recurs when, flouncing out of Goneril's, the old man dandles a giggling Regan (Clare Higgins) on his knee, Daddy and his little girl. This does, however, leave us totally unprepared for the screaming virago she suddenly and inexplicably becomes in the blinding scene – itself tame compared with Stratford's panting, retching frenzy, and needing a gratuitous stab in the goolies for the poor servant to make an impact.

The gap between whipped-up hysteria and the (deliberately) mundane, which this director's work often leaves unbridged, is fatally illustrated by Peter Jeffrey's Gloucester. A lightweight actor, Mr Jeffrey is forever the smoothly fatuous headmaster in *If*. His Gloucester seems less put out than his eyes. Grateful for any chance to see Susan Engel, I ungratefully compare her Goneril's stylishly funny sitcom act with Sally Dexter's troubled, complex portrayal for the RSC.

The physical image of Quixote and Sancho Panza are reversed in the figures of Lear and his jester. David Bradley's spindly, aquiline Fool, is already death's messenger. Little whimsy, much madness; a real seer who copes with his glimpse of savagery by sibylline shrieking. Answering vocal demands almost as great as the King's, this gaunt, possessed figure, stranded somewhere between visionary and idiot, is one of the best of my experience.

The master is stockily compact. Brian Cox gives him the small, tripping steps of determined old age. The falsetto yowl he did to death as Titus Andronicus is now kept in check and always relevant, the sixth age's "big manly voice, turning again towards childish treble". He avoids all the role's traps, brilliantly suggests the old age of a strong man, the fondness (in both ancient and modern sense) atrophying into doting senility; but is never so mad that bracing, painful glimpses of what he once was do not break through. He has all the makings of a complete Lear.

And yet . . . I wonder, heretically, whether the play is as sure-fire harrowing an experience as it should be. The old Olivier on television and an unstarry Almeida production by the RSC voice coach remain the only genuinely moving productions I know. Mr Cox must play the role again, and in other productions, until he discovers (as he surely will) the secret.

Martin Hoyle

Whose crime is it?

THERE ARE three good ideas in *Partners in Crime*, an irritating piece of nonsense clinging precariously to life at the precipitous New End Theatre in Hampstead.

The first has Conan Doyle and his brother-in-law, E.W. Hornung, discussing over a chess game in Heaven the relative detective skills of their two creations, Sherlock Holmes and the gentleman thief Raffles, and settling the matter by setting them loose on the same case, precipitated by Mycroft Holmes.

The second inspiration has the straight man of both gentlemen 'tecs, Dr Watson and Bunny, being revealed as one and the same character. And the third had better be kept a fairly predictable secret in case anyone wants to see the production.

The authorship is credited to FG Callan, which might be the pseudonym of Elissa Swinglehurst and Caroline Tjoa, but that is hardly worth bothering about. The director is Michael Hunt, and a rather impressive set, which transforms a book-lined Baker Street into a jewellery vault, is by Gill Shaw. Some quite good actors are let loose on the farrago, including Glyn Grain as an ingratiatingly decent Watson/Bunny, Brian Abbott as Holmes and Michael Rhenish.

But the play is weighed down by both its predictability, the weakness of the "case," and the complications. Although the actor playing Doyle enlivens things considerably by boldly improvising his lines there is just not enough excitement to justify the venture.

Antony Thorncroft

RSC to NT

Genista McIntosh is moving from the RSC to the National Theatre to take over the job of David Aukin who left recently as executive director for a career in television. It is a sudden switch bewteen two rival institutions.

Earlier this year Ms McIntosh became one of the triumvirate (the others are Adrian Noble and Michael Attenborough) entrusted with the task of running the RSC after the departure of Terry Hands. At the National she will be looking after the money while Richard Eyre concentrates on the creative strategy.

Doubly delightful Onegin

THE CHEERS that rang throughout the Coliseum on Wednesday and Thursday night greeted two exceptional performances of *Onegin*. English National Ballet may be going through a difficult time, but the company still responds – as it ever has – to the presence of a star. Ekaterina Maximova and Eva Evdokimova, the Tatyanas of these evenings, received admirable and generous support from the ensemble, and the ballet stirred us with that irresistible combination of romantic infatuation, a duel and noble resignation.

Cranko's drama is not of the subtlest, but Tatyana is a tremendous role, and no ballerina worth her salt could resist either the letter scene or the final rejection of Onegin, which are dramatically cast-iron and allow emotion to rage. I am happy to say that I am not about to rage unchecked about the two interpretations. Both artists were notable for the controls they imposed upon feeling and for the clarity with which the narrative was presented. Maximova (with Martin James her sterling Onegin) gave a surprisingly "interior" performance – surprising because one might have expected an effusion of Slavic soul – its power coming from understatement and from the exquisite action of her dancing. It is as if she hears Pushkin's verse during the letter scene and is content to let it course through her movement. I thought her extraordinary during the duel, where she seemed frozen by horror at what was to happen; in the farewell to Onegin, Maximova made Tatyana's distress all the more potent by discretion of her playing. Everywhere the role was understood, stated with ravishing physical means – Maximova's legs and feet are exemplary – and potent.

Evdokimova, making a most welcome return to London after a deplorably long absence, is also a Tatyana of the grandest gifts. Her portrayal is remarkable in its coherence: the innocent and very shy young girl first seen absorbed in poetry, grows through her love and her suffering – the letter scene, the ball scene and the duel, become recognisable stages in her progress towards maturity – until we meet her as a woman at Prince Gremin's ball. Evdokimova played the early scenes with enchanting grace and a radiant simplicity, every least flicker of feeling clear to us. But the farewell to Onegin (Alexander Sombart, ideal in the part) showed her now to be an artist of astonishing power.

This Tatyana is determined not to yield to her feelings for Onegin, or to Onegin's passion. We see how the girl has grown into womanhood, and see – with what clarity and with what distress – how she fights to preserve everything that marriage to Gremin means.

Evdokimova has done many fine things, but this scene, in its physical precision, elegance of playing and blaze of emotion, is surely the greatest interpretation she has given in London. She is revealed as a superlative dance-actress.

Sombart's Onegin was a worthy partner in style and temperament, as in security of partnering. Two charming Olgas (Trinidad Sevillano and Maria Teresa del Real) and two impetuous Lenskys (Patrick Armand and Koen Onzia) were essentially part of these notable performances.

Clement Crisp

An untimely swansong

IT IS particularly sad to observe the early retirement from the Royal Ballet of Maria Almeida and Jonathan Cope. She is 25, he is 27.

He is expected to make his final appearances in Covent Garden's quadruple bill next week; she gave her farewell performance, with him as partner, in *Swan Lake* on Wednesday. No dancers of their generation had shown themselves so fully the inheritors of this company's traditions. That dancers of this eminence and achievement should abandon the art so early is virtually without precedent in the history of the art.

They are assured an honoured place in the history of the company. Cope is a serious, modest hero. His gifts were evident from his Royal Ballet School graduation performance as Albrecht in *Giselle* and his first company performance in *Swan Lake*: tall and noble physique, chivalrous attentiveness to his partner, and long, strong phrases. His rare skill as a partner has made him the company's natural consort to a series of guest ballerinas from abroad – Elisabeth Platel, Cynthia Harvey, Sylvie Guillem, Altynai Asylmuratova.

His dance talent has been employed by a series of British choreographers, and he has created the leading male role of many ballets – from Richard Alston's *Midsummer* (1983) to Kenneth MacMillan's recent *The Prince of the Pagodas* and David Bintley's forthcoming *The Planets* (premiere next week).

Almeida has always been beautifully elegant and patrician, and she has grown steadily. No British dancer in recent years has shown dancing of such luminous delicacy in Act Two of *Giselle* or of such aristocratic refinement in *The Sleeping Beauty*. When she joined the cast of Kenneth MacMillan's *Different Drummer*, her coolly objective style heightened its drama; and she was the bride in his 1986 revision of *Le Baiser de la Fée*.

Most notably, when Frederick Ashton revived *Cinderella* and *Ondine* – his last work in ballet – she took the leading roles; Ashton gave her new warmth, radiance and variety.

Swan Lake, with its love-death ending, was a perfect occasion for their joint farewell. What made the occasion all the more sad to watch was that both artists danced as if still in mid-career, as if still promising better things to come. No, this performance was not immaculate. Yet from both of them I noticed new details of style, new definition, and, as one might hope for on such an occasion, more evident feeling than before. They showed why they have been so valued at Covent Garden in the Eighties, how much they have learnt during that time . . . but also how much further they could have gone.

I will not, however, end on this unhappy note of farewell.

Without fanfare, Margot Fonteyn came in June to give private coaching to the Royal Ballet's several remaining Odettes-Odiles in *Swan Lake*. On Thursday, I watched the first performance to show the signs of this tuition. It was a farewell of another kind – Ravenna Tucker's last leading role at Covent Garden, after 10 years, before joining the Birmingham Royal Ballet in the autumn.

Fonteyn's coaching has affected detail upon detail of Tucker's performance. Soft, slow falls into her prince's arms in the great lakeside adagio; dancing made more firmly and daringly to fit the musical phrase; a new attention to crispness of definition; a new sense of the importance of small steps to the whole shape of a dance. Not (yet) a great performance, but an absorbing one.

Alastair Macaulay

Radio

Van Gogh gets another hearing

VINCENT van Gogh has hardly been out of the news since his *Gachet* went for $81m in May.

There was BBC Television last week, and now readings of his letters to his brother Theo on World Radio, starting tomorrow night.

The programmes are deeply interesting, much edited though they are, and ably read by Bob Peck, with presentation by Ed Thomason. Yet even past events overtaking one another, and although I have heard the five weekly programmes did not hear what I was looking for – complaints to Theo of vertigo or noises in the ears.

A Swedish doctor in Denver, Colorado believes that van Gogh was neither mentally disturbed or epileptic, as previous diagnoses have supposed, but that he had Ménière's Disease, which causes vertigo and tinnitus which could even make a neurotic sufferer cut off an ear. The extracts from these letters deal only generally with ill-health – "illness has no terrors for me, it will all come right."

A Radio 4 play next Wednesday, *A House Halfway to Africa* by Stephen Mollet, deals with van Gogh's sad final years in Arles. Perhaps we shall learn more from this.

Words used to be an opportunity for literate folk to illustrate their prejudices, but it has now been given a more practical disposition and moved to Saturday, although still on Radio 3. It is currently clarify the technical terms of the professions. First, we had barrister Helena Kennedy explaining the meaning of words like "mitigate" and even "no" (which, as we have recently heard from the bench, is what women may say when they mean "yes.")

Now we have Professor John Durant on scientific vocabulary. We casually throw it around with little idea of what it means. How many of us could clearly define what a quasar is, or a quark, or any other of the 1,300 scientific terms among the 5,000 fresh entries in the *New Oxford Dictionary*? On the other hand, how many scientists would understand the language of the City? Finance, sport, pop music, religion and especially computer jargon, which children now learn at school, are *expected to follow.*

My personal favourite of the Giles Cooper award winners came up as Radio 4's Monday play, Richard Nelson's *Eating Words* – uncharacteristic for that slot, but most welcome. It follows an intellectual conversation between two novelists. The American has been left by his wife after including her and her circle too recognisably in his latest book; the "gay" Englishman's friend has just died, and he is confined to a wheelchair. The American has taken refuge in England; conversely, the Englishman hopes to give lectures at Cornell.

Intellectual conversation, I said, but the two agree that this adjective is used disparagingly nowadays , and their talk, invigorating on literary and social themes, is recognisably writers' talk and their ideas novelists' ideas. They get increasingly drunk on an odyssey between lunch, Soho pubs, St James's Park and, by 5pm, Westminster Bridge. We leave them there shouting poetry, their thoughts summarised in the conclusion that when they die, it won't be men they miss, but words.

The two are admirably played – the American by Ed Asner, the Englishman by John Woodvine, with a stimulating interruption by Emily Richard as a successful saleswoman in a pub. Ned Chaillet directed. Richard Nelson must have had as much fun writing it as we had hearing it.

The following day, Radio 3 gave us a second Giles Cooper winner, *The Stalin Sonata* by another American writer, David Zane Mairowitz. This is exciting rather than intellectual. Stalin demands a recording by a once-admired pianist who has been imprisoned for some social error and her hands crippled by her prison treatment. But no recordings survive . . .

Barbara Jefford plays the pianist, and Philip Voss and Clive Merrison do all they can (*nothing, as it happens*) to rebuild her. Richard Wortley was the director.

B.A. Young

Chess No. 881:
1 Ra8+ Rg8 2 Kf7 Rxa8 3 Rh6 mate.

SPORT

Racing/Michael Thompson-Noel

Happiness outweighs horse sense

HAVE I got a horse! Not a whole horse, of course; I am not the Aga Khan. Instead, I own a sparkling fraction – a 1,100th – of a smashingly competitive four-year-old racehorse named Bold Fox that has won four of his eight races and gladdened the lives of his many owners.

He is a doer, Bold Fox: gentle and mild mannered but also hummingly fast, as he showed at Sandown recently when winning a valuable mile-and-a-quarter handicap. Before the end of the season the company that owns Bold Fox, Blue Chip Racing, and the man who trains him, Guy Harwood of Pulborough, hope to run him in a prestige event, possibly in Britain, perhaps in Italy or Germany, with a view to boosting his value and earning him, just possibly, a crack at a stud career when his racing days are over.

Bold Fox and his exploits are what racing is all about. Yet in Britain, some racehorse owners are complaining again about low levels of prizemoney. Last month Susan Abbott, outgoing Racehorse Owners' Association president, called for a boycott of bookmakers, and told her annual meeting: "If you feel the bookmakers are the cause of racing's poor finances and therefore responsible for our low levels of prizemoney, why do business with them?

"We do have a choice, and if all owners and trainers were to bet with the Tote wherever possible it would show we can take direct action..." Predictably, her call to arms fell as flat as a three-legged runner in the Grand National steeplechase.

According to the fiery Abbott: "Spiralling training and racing costs have now reached a level that many owners are finding intolerable. As soon as the number of owners starts to fall, the consequences will be felt right across the industry... British racing is the best in the world, but it is based on a wide spectrum of ownership. The bottom of the pile is very wobbly at the moment and racing will be the sufferer should it collapse."

Speaking from the wobbly end of the market, I can only demur, because what most owners in Britain – virtually all of whom are wealthy – seldom acknowledge is that prizemoney, modest though it is by international standards, is not the only return that owners enjoy.

There is what Americans call "psychic payout": the adrenocorticotrophic surge of pride and pleasure that a racehorse gives you when it steps from its box, glides across the training gallops, canters to the start or galvanises itself into action in the middle of a race – even if it is an old slowcoach of an animal that is never going to win a race, let alone recoup a smattering of its capital and training costs.

If it *does* turn out a winner, the surge of joy that an owner experiences is like a bolt of electricity. Take Bold Fox. Blue Chip Racing started life in June 1987 after raising £502,920 with which to purchase six yearling racehorses and pay for their keep and racing. Each share cost £495.

The company bought one or two other horses subsequently, but we can forget about them. The initial six cost between £27,000 and £53,000 each. One never ran. One had to be destroyed because of cancer – the insurers re-imbursed us £43,000. The only one that was any good was Bold Fox, a fine, upstanding bay colt by Ballad Rock, which did not run as a two-year-old because of persistent back trouble.

But he raced four times at three, winning his first two races, and has won twice as a four-year-old this season, most recently surging home at Sandown to pip the American-bred Akdam by a head in the Royal Hong Kong Jockey Club Trophy Handicap on July 6 while shouldering 9 stone 5 lbs. It was a valuable race, worth £35,775 to the winner, boosting Bold Fox's career winnings to £44,039 and providing all his part-owners – little people like me: modest and unassuming: not at all wealthy: free of angst and aggressiveness: the backbone of olde England – with a great deal of happiness.

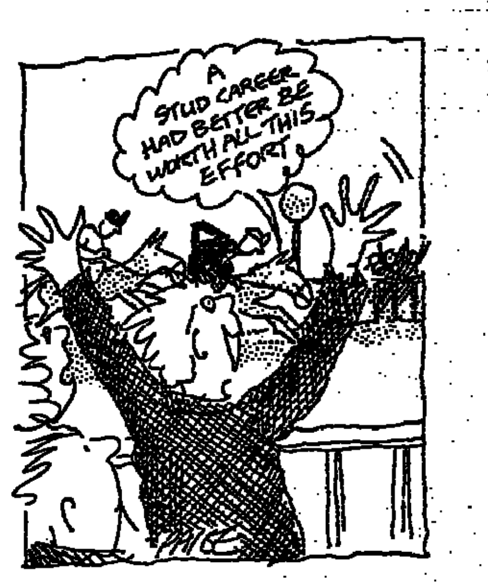
At the end of last year, when Blue Chip Racing elected to stay in business for a further season so as to campaign Bold Fox as a four-year-old, there was a meagre £35,000 left in the kitty. The other horses had been sold off – mostly for peanuts: nothing unusual in that. Bold Fox's trainer, Guy Harwood, charges £34 a day, so the sum pencilled in for a season's training bills was approximately £12,000.

Happily, Bold Fox – who cost £36,000 initially – has set the till ringing with his thrilling win at Sandown. Richard Wright, the driving force behind Blue Chip, says that Bold Fox's insurance cover was recently increased from £50,000 to £100,000. Wright is an ex-Dunlop-Slazenger sales and marketing person, also latterly an hotelier. He says that the formation of big public racing syndicates like Blue Chip has virtually ceased, "simply because they haven't been successful enough."

However, with a winner like ours Blue Chip's shareholders have had a good run for their money, and will get something back at the end of the day. "He's a lovely horse", says Wright. "He's only got one gear, but is a relentless galloper. He's extremely determined and likes to get his head in front. The stable reckon that the Sandown race was the first time he really had to make a major effort in order to win. Perhaps someone will want him for stud; or he could be sold to go hurdling."

Will he win his next race? I do not know. I have no inside information. Guy Harwood isn't talking to me, having chosen to get the hump over an article I wrote about the Grand National and the slaughter rate in National Hunt racing. As I wrote to Harwood in a letter: "What the Grand National has got to do with Flat racing is a mystery to me" – but there we have it; or rather, we don't.

Not that I am fussed. I am the most affable of employers. I never get the hump. Bold Fox is all that matters. Racing is the thing. Life, health – and horses! Plus £50 each way now and then.



Equestrianism/Jane Fuller

Money is the hurdle

FOR THE first time outside the Olympics, the three main equestrian sports of showjumping, eventing and dressage are sharing the same championship venue at the World Equestrian Games in Stockholm, which run until next Sunday.

The uninformed could be forgiven for thinking that the great divide is between those who ride – more than 3m Britons are estimated to do so – and those who do not; or between weekend riders and those who appear on TV competing at Hickstead (showjumping) or Badminton (a three-day event with cross-country as the highlight), all of them apparently professional.

But the three Olympic sports inhabit largely separate worlds, as do the three other activities represented at Stockholm: long-distance riding, driving and vaulting. Nothing divides them more than money, although each soaks up lots of it.

The most financially advanced is showjumping, with by far the largest number of participants, competitions, televised events and prize money – £1.74m was paid out last year. Nearly everything to do with showjumping is measured in money. Riders are ranked according to the amount won in a 12-month period and horses advance through the grades according to their career totals. Eventing and dressage, however, rely on points systems and prize money remains insignificant.

The judging of showjumping is similarly cut-and-dried. Mistakes such as knocking down a pole are indisputable, whereas dressage is marked subjectively, like ice skating. While showjumping has always attracted a more urban, business element, the hunting roots of eventing's cross-country phase have kept it more of a country sport.

As a result, the corporate backers have different aims. Robin Berrill, managing director of Henderson Unit Trust Management, which is putting £1.5m into sponsoring the Whitaker brothers and a series of competitions over three years, says: "Showjumping reaches a cross section of the more affluent members of society, irrespective of class."

He enjoys the direct, unsubtle advertising plugs of the company prefix on a horse's name, notably Henderson Milton, and its logo on every accessory. As befits an unashamedly commercial arrangement, Henderson calculates the value of the column inches mentioning its name, based on advertising rates. The figure for the first six months of this year was £70,036.54, excluding TV coverage.

Individual showjumpers are just as willing to talk about money. Coming from a thrifty Yorkshire background, John Whitaker, reigning European champion, winces as he says it costs well over £100,000 a year to run his 15-horse string. At present he need not worry. Apart from sponsorship income, he won a total of £315,000 last year.

> 'The attraction of a dangerous sport dominated by women'

Showjumpers without a sponsor make a living via prizes, private patrons, horse dealing and teaching. Yet there is a feeling that the sport needs to become more professional in its commercialism. While British Equestrian Promotions finds sponsors for competitions, there is no agency actively seeking sponsors for individual riders.

However, those individuals may need to pay more heed to the sport's image, particularly in the wake of allegations of cruelty against the leading West German trainer, Paul Schockemöhle. Riders may also need to consider the level of service given to sponsors, especially as the venues often lack the "picnic factor" associated with eventing's parkland settings.

When it comes to the less quantifiable aspects of value for a sponsor's money, it is eventing and, nascently, dressage that show the way. Take Ginny Leng, who is defending her world three-day-event title this weekend. Her sponsor, Citibank Savings, is paying her £100,000 this year; in return it gets what Val Gates, head of promotion and sponsorship, describes as "high-profile hospitality." The customers "rub shoulders with Ginny and they love it."

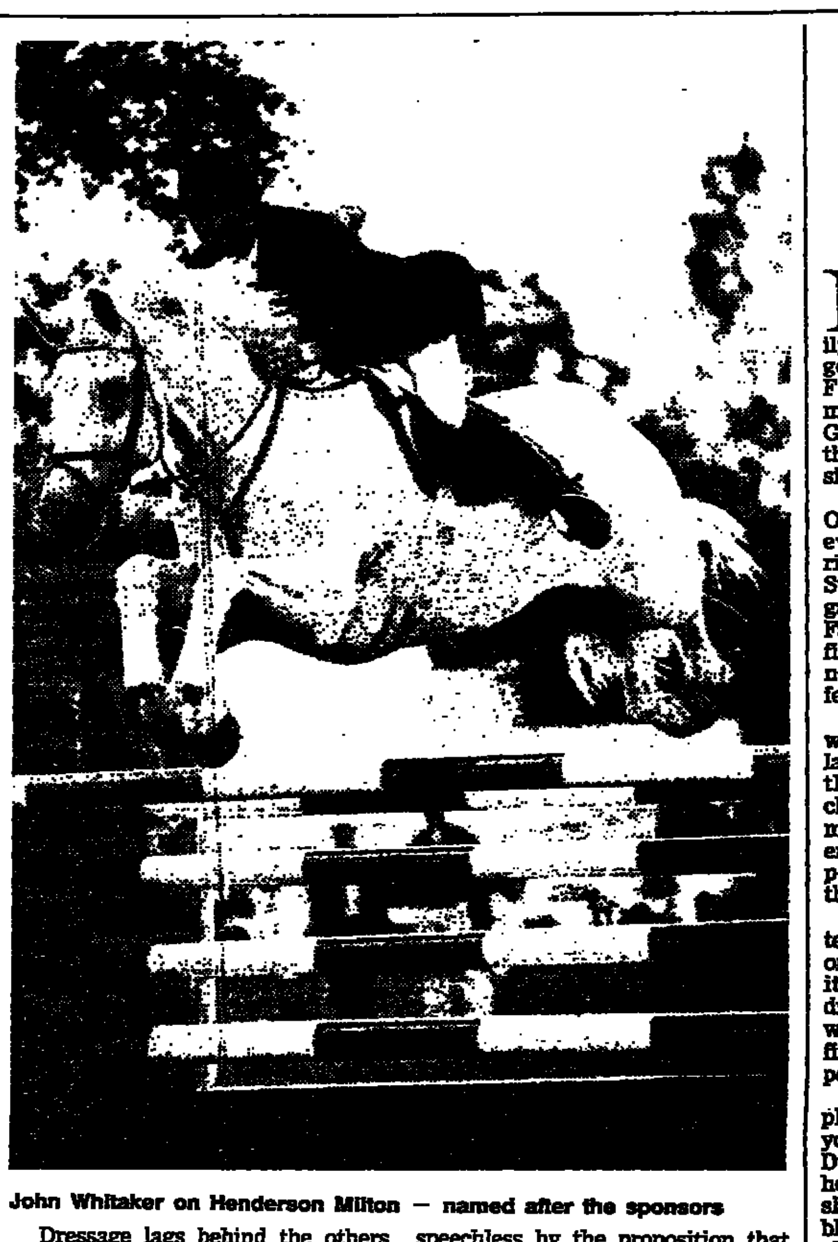
Ginny Leng is also contracted to devote 12 half-days and six full days to serving her sponsor: hosting visits to her yard, opening branches and giving speeches. Unlike Henderson, Citibank does not count its column inches, yet media coverage of the sport is greater than might be expected, bearing in mind the paucity of three-day events.

Features that the showjumpers might envy are Ginny's good looks and articulacy, the attraction of a dangerous sport dominated by women and a glamour factor which draws such boyfriends as Sebastian Coe (engaged to Nicola McIrvine) and Andrew Lloyd-Webber (Madeleine Gurdon). Yet for all these intangibles, the lack of serious income from the sport means that Ginny is far more dependent on her commercial sponsor than her showjumping equivalents. "I would have to give up without it."

Apart from the meagre prize money, even top-class eventing remains a largely owner-rider sport without the level of private patronage attracted to showjumping. Dealing is another earner that the comparatively genteel participants tend not to exploit. Ginny's secondary income sources are advertising and teaching.

Eventing's need for sponsorship is ironic in a sport which until recently baulked at corporate logos on saddle cloths and turns up its nose at the thought of commercial prefixes to horses' names. The emerging solution – one that continues to attract whinges from the stuffier letter-writers to *Horse and Hound* – is that sponsors should be given better value for money, but within the bounds of "taste."

The ultimate in "taste" is dressage, which presents itself as the ballet of the horse world. It is making a virtue of necessity because a lack of medal winners and an admitted boredom factor among the uninitiated have largely kept it out of sports page headlines.



John Whitaker on Henderson Milton — named after the sponsors

Dressage lags behind the others in its attitude to professionalism as well as to commercialism. It has only this year agreed to accord virtually all riders "competitor" status, rather than distinguishing between amateurs and professionals, and excluding the latter from its teams.

A glimpse of the different attitudes was supplied by two aristocratic women at the recent Hermès International meeting at Goodwood. One was rendered temporarily speechless by the proposition that sponsorship would enable more and better young riders to progress in the sport. The other said that bringing in more money was essential to help youngsters afford good horses and top-class training.

With all three sports now grappling with related problems, it would be nice to think that this will help to bring them closer together, just as the World Equestrian Games are doing in Stockholm.

Golf/Keith Wheatley

Royal Faldo now one of the Family

NICK FALDO is becoming more and more an ex-officio member of the Royal Family. With so few Britons around of genuine world champion status, Faldo's majesty grows by the month. The disclosure by his wife Gill that he would barely recognise the family cheque book only intensifies the metaphor.

On the final nine holes of the Open last Sunday, Faldo looked every inch the king. His closest rival, flamboyant American Payne Stewart, at one point reduced the gap between them to two shots. If Faldo, who began the fourth round five shots clear, felt apprehensive it never showed on his Tom Sawyer features.

After several years of success without real popularity, Faldo at last seems able to empathise with the gallery. They roared and cheered as the soon-to-be champion marched down the fairways. He enjoyed and acknowledged the support, without worrying that it threatened his concentration.

That fixity of purpose was almost terrifying. When Faldo three-putted on the huge green of the 463yd 4th, it was only the fourth shot he dropped to par in four days. There were no more hostages left on that final round, dedicated to risk-free percentage play.

One had to feel sorry for his playing companion, the ebullient young Australian Ian Baker-Finch. During the 1984 Open at St Andrews he had gone into the final day five shots ahead of the pack only to blow up and shoot 79. "Do I think about '84?" he answered a correspondent. "Only three or four times a day for the past six years."

But to play with Faldo last weekend was to be scorched. Greg Norman, an Australian golfer somewhat more successful than Baker-Finch, suffered that fate on Saturday. They had set out together, joint leaders after two rounds, at 12-under par. Norman, the previous evening, had been optimistic that his four-year ability to turn a platform into a win was over.

How wrong he was to be. Faldo opened with a superb birdie while Norman struggled for par and bogied the next. So it continued until the gap between them on the 18th green was nine shots and Norman was effectively out of the Open. He looked a broken sportsman and those who know the blunt Queenslander say that he took an awful pyschological beating under the Fife sunshine.

Among those who definitely enjoyed themselves was Paul Broadhurst. His 63 on the third day was an Old Course record for the Open and something that this young professional from a nine-hole course in Warwickshire must remember as long as he draws breath. In the most amazing spell Broadhurst, his putter a magic wand, birdied holes five to ten inclusive. His father Malcolm, a 28-handicapper with the Society of One-Armed Golfers, cheered him green by green.

Whether the record crowds enjoyed themselves quite as much is questionable. The beauty of major golf championships has always been the ability to wander the course and see the great players do their stuff just a few feet away.

Yet on the final two days of the Open all that most spectators saw was the back of other peoples' heads. Of course, there was the option of staying put in one of the grandstand seats and watching the competitors trundle past one's "window." I suspect, however, that most golf fans would opt to see a complete round from one favourite rather than 70 players tackle one hole.

The Royal & Ancient are adamant that the Open will always remain just what its name implies; accessible to anyone who pitches up to the turnstile with the price of admission. They are the last of the four "majors" to take this line and it remains to be seen, as the popularity of golf increases exponentially, whether it is one they can hold for much longer.

TELEVISION & RADIO

SATURDAY

†Indicates programme in black and white

BBC1

7:30 am Playdays. 7:50 Muppet Babies. 8:15 The 8.15 from Manchester. 10:52 Weather.

10:55 Grandstand including 11:00 Cricket: England v India. Third day of the First Test at Lord's; 1:00 News; 1:05 Eventing: World Equestrian Games from Stockholm; ...

BBC2

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Children's ITV: Ghost Train. 11:30 The ITV Chart Show. 12:30 pm Huckleberry Finn and His Friends. 1:00 ITN News followed by National Weather. 1:05 Local News and Weather. 1:10 A Beetle Called Derek... 1:40 Coronation Street. 2:35 Matlock. 3:25 Murder, ...

CHANNEL 4

S4C WALES

As Channel 4 except:

11:30 am Loads More Muck and Magic! 12:00 Sumo. 12:30 pm Goodwood. 1:30 Europe Express. 2:00 Feature Film: "Umrao Jaan". 4:35 Fishing Village - Olafsvik. 7:00 Citizen 2000. 7:30 Newyddion. 7:40 Gweld Ser. 8:25 Athletau. 9:00 Film on Four Take Two: ...

BORDER

CENTRAL

CHANNEL

GRAMPIAN

12:30 pm Am Faesach. 2:35 Feature Film - "The Electric Horseman" starring Jane Fonda. 4:50 Cartoon. 5:10 Criomagan. 11:15 Feature Film - "The Man in the Brown Suit".

GRANADA

HTV

SCOTTISH

TSW

... Cole; 5:10 Gus Honeybun's Magic Birthdays. 11:15 Film: "Scandal Sheet" starring Burt Lancaster.

TVS

12:30 pm Windsurf! 2:35 "The World of Suzi Wong" starring William Holden and Nancy ...

TYNE TEES

ULSTER

YORKSHIRE

... logue).

RADIO

(S) Stereo on FM

RADIO 2

RADIO 3

7:00 am Morning Concert. 8:30 News. 8:35 Bournemouth Sinfonietta: Poulenc (Sinfonietta). Mozart (Piano Concerto No 11 in F). 9:30 Record Release. ... Jill Gomez and Graham Johnson (soprano and piano): Schubert (Im Fruhling; D Meinecke; ...

... Schubert (Quartet in A minor, D 804). 10:55 A Sequence of Nocturnes played by pianist Paul Crossley. 11:30 Music from South India. 12:00-12:05 am News.

Medium Wave as FM except:

10:55-6:30 pm Test Match Special: England v India, third day of the First Cornhill Test, including 1:10 "A View from the Boundary" with guest John Major, Chancellor of the Exchequer.

RADIO 4

SUNDAY

†Indicates programme in black and white

BBC1

BBC2

LONDON

CHANNEL 4

S4C WALES

As Channel 4 except:

ANGLIA

BORDER

CENTRAL

CHANNEL

GRAMPIAN

GRANADA

HTV

HTV WALES

SCOTTISH

TSW

TVS

TYNE TEES

ULSTER

YORKSHIRE

RADIO

(S) Stereo on FM

RADIO 2

RADIO 3

RADIO 4